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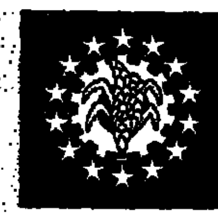

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FINANCIAL TIMES

Europe's Business Newspaper | WEEKEND APRIL 2/APRIL 3 1994 | D8523A

Crédit Lyonnais plans to increase sale of assets

Troubled French bank Crédit Lyonnais, which is the subject of a FFr44.9bn ($7.5bn) government-backed rescue package, plans to sell more of its industrial holdings, chairman Jean Peyrelevade said. Mr Peyrelevade, who was drafted into Crédit Lyonnais by the Balladur government in November to orchestrate the rescue and prepare the bank for privatisation, had already announced plans to sell FFr20bn of assets by the end of next year and now intends to make additional disposals worth up to FFr15bn. Page 26

Paribas moves ahead: Leading French banking group Paribas continued its recovery with a 64 per cent increase in net profits to FFr1.45bn ($253m), helped by a strong performance in market trading activities. Page 13

Russians to own land: Individual Russians will become landowners for the first time under a plan for state and collective farms to sell land to their workers. Page 26

Israel accepts Palestinian police: Israel will allow a first contingent of 300 to 400 Palestinian police to be deployed in the Gaza Strip next week in the first move towards Palestinian self-rule in the occupied territories. Page 3

Troops move into Natal: South African troop reinforcements moved into Natal province to enforce a state of emergency while rival parties in the province seemed to have declared an informal Good Friday truce. Page 4; A prickly bear baited, Page 10

Malaysia's central bank chief quits: Jaffar Hussein, governor of Bank Negara, Malaysia's central bank, resigned after taking responsibility for losses of more than M$5.7bn ($2.1bn) through foreign currency transactions last year. That followed a loss of nearly M$10bn in 1992. Page 4

Russian admits spying for Britain

Vadim Sintsov (left), a Russian defence industry executive accused of spying for Britain, said on Russian television that he supplied the UK with information on Moscow's Middle East arms sales. Mr Sintsov, who said he was codenamed "Demetrius" by the British intelligence service, was shown being questioned in Moscow's Lubyanka Prison. He was arrested in January and could face the death penalty if convicted of treason.

Kantor gives Gatt warning: US trade secretary Mickey Kantor said a continuing refusal by Gatt ministers to discuss workers' rights would undermine US support for a new world trade accord due to be ratified in Marrakesh this month. Page 3

Air France seeks backing from staff: Air France chairman Christian Blanc is to seek the support of the company's 40,000 staff in an attempt to push through a recovery plan. Page 2

North Korea rejects UN call: North Korea rejected a call from the United Nations Security Council to accept international nuclear inspections, saying the issue could only be resolved through direct negotiations with the US. Page 4

Renault, French state-owned vehicle group, suffered a sharp fall in profits last year to FFr1.07bn ($186m) from FFr5.68bn because of contraction in the European car market. Page 13

Metallgesellschaft: Shareholders approved the second phase of a rescue package for the beleaguered German metals group after a stormy annual meeting which focused mainly on alleged shortcomings of the supervisory board. Page 13

Deutsche Bank expands foreign business: Deutsche Bank's expanding foreign business and sharp growth in returns from trading on its own account were the main contributors to its 23 per cent increase in net earnings last year of DM2.2bn ($1.3bn). Page 13; Lex, Page 26

Tunnel services delayed: The Channel tunnel will not be fully opened for passenger trains until at least September, four months after the official opening on May 6. Page 6

Redland posts £279m: Pre-tax profits of building material groups Redland jumped by 40 per cent last year to £279m ($407m). Page 12; Lex, Page 26

46% of workers anxious about jobs: Forty-six per cent of full-time and part-time workers in the UK are concerned about losing their jobs in the next 12 months, the latest MORI/IRS survey for the Financial Times shows. Page 6

Round-the-world sailors set record: Sailors Peter Blake from New Zealand and Robin Knox-Johnston of the UK set a non-stop round-the-world record of 74 days and 22 hours when their 92ft catamaran Enza New Zealand arrived at Ushant, France. The previous record was 79 days.

Robert Doisneau dies: Photographer Robert Doisneau, whose romantic back-and-white pictures such as "Le Baiser de l'Hotel de Ville" immortalised post-war Paris, died aged 81.

Today's crossword: Today's prize crossword appears on Page 13 of the first section.

The Financial Times will not be published on Monday April 4.

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Non-farm employment rises 456,000 ■ Expansion may force interest rate increase

US economy set for robust growth

By Jurek Martin in Washington

The US economy looks set for a period of strong expansion after a range of economic statistics yesterday all pointed to a robust recovery.

But the prospects of further strong growth also increased the probability of a further increase in short-term interest rates.

The most eye-catching statistic was that non-farm employment in March jumped by 456,000, far in excess of market expectations and the largest single monthly increase since the Wall Street collapse of October 1987.

The New York equity markets were closed yesterday for Good Friday, but prices of long-dated bonds sank. The benchmark 30-year Treasury bond fell more than 1¼ points, sending the yield up to 7.26 per cent, although trading was light. One trader described the market reaction as "swift, violent and unforgiving".

On Thursday, the Dow Jones Industrial Average rallied towards the close to finish up 9.21 points at 3,635.96, having fallen 67 points earlier in the day. But most broader market measurements were down, and the Dow ended the shortened week off 138.77 points.

The market slide, which has cut share prices by about 9 per cent in two months, was enough to persuade President Bill Clinton, on holiday in California, to state that "corrections" in the market were normal and to warn against "skittishness". Economic fundamentals were sufficiently sound that comparisons with 1987 were invalid, he said.

Other economic indicators published yesterday, both for February, showed personal income up 1.3 per cent, reversing the decline of 0.3 per cent in January, and personal spending up 1 per cent, after an increase of only 0.1 per cent the previous month.

Final revised gross domestic product figures for the last quarter of 1993, released on Thursday, showed real annual growth at 7 per cent, down from the earlier estimate of 7.5 per cent, but still the strongest three months since the first quarter of 1984.

Ms Laura Tyson, head of the president's council of economic advisers, said there was no reason yet to change two of the administration's annual forecasts – of 3 per cent real growth and 2m new jobs. She said there was "an upside risk on both numbers", though higher interest rates might have a damping effect.

Reaction to the data by economic analysts was uniform. Merrill Lynch said first-quarter real growth "may be closer to 4 per cent than 3.5 per cent", its previous prediction. S G Warburg said it "may equal or exceed 4 per cent." All noted no evidence rising inflationary pressures.

Ms Katherine Abraham, commissioner of the Bureau of Labor Statistics, told Congress that more than half the growth in employment in March reflected a rebound from the weather-ravaged previous two months, exacerbated by the Los Angeles earthquake in January.

However, the jobless rate remained unchanged at 6.5 per cent. The bureau explained that whereas a reduction of 100,000 in the official unemployment rolls could produce a 0.1 percentage point drop in the unemployment rate, it could take as many as 700,000 new jobs to produce the same result, because most openings went to those not registered in the labour force.

In fact, in March 349,000 of the 456,000 new jobs were part time. Manufacturing employment only rose by 12,000.

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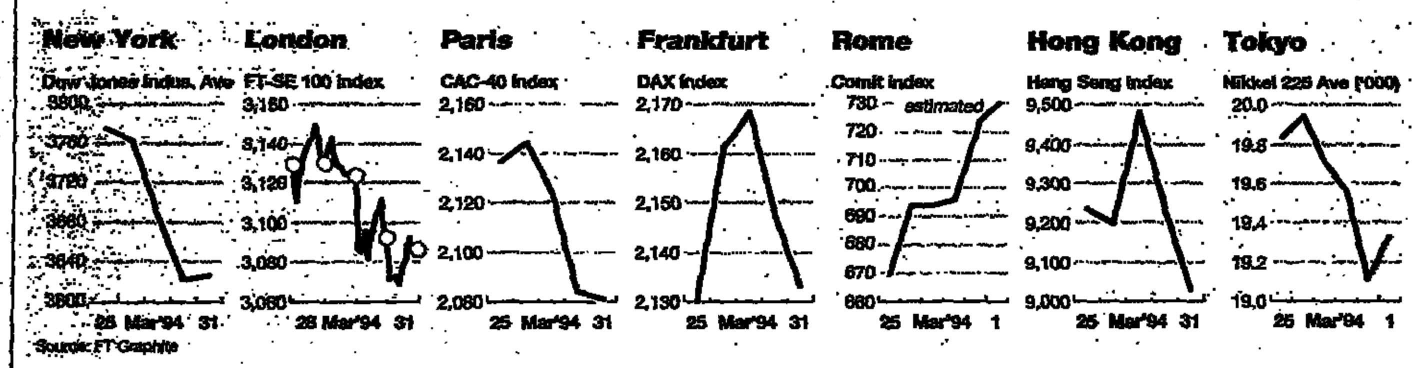

Source: FT Graphite

Berlusconi intensifies efforts to form coalition government

By Robert Graham in Rome

Italian media magnate Mr Silvio Berlusconi intensified his efforts yesterday to persuade the populist Northern League to form part of the country's next government.

The reservations of the League and its leader, Mr Umberto Bossi, are the main hurdle facing Mr Berlusconi in putting together a government after this week's landslide victory by the right-wing Freedom Alliance.

Mr Berlusconi has already received broad backing from the neo-fascist MSI/National Alliance. The MSI, together with Mr Berlusconi's Forza Italia movement and the League, fought the elections under the banner of the Freedom Alliance, even though their electoral platforms were separate and often divergent.

Yesterday, Mr Berlusconi held his second meeting in three days with League representatives. It was convened against the background of statements by Mr Bossi damping hopes of an agreement. Mr Bossi himself declined to attend and delegated his closest aide, Mr Roberto Maroni, to conduct the negotiations.

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Afterwards, Mr Berlusconi refused to be drawn on the talks and said he was operating to no precise timetable. However, he has let it be known that he is anxious to put together a government based round his four-month-old Forza Italia movement, the League and the MSI, headed by Mr Gianfranco Fini. Mr Maroni said: "We will be able to put together a government and it will be a strong one." His remarks confirmed the impression that the League is bargaining hard to ensure that if it enters government, the party does not become submerged by Mr Berlusconi and Forza Italia.

In the election Forza Italia took votes from the League in the north, but it helped the League nationally to gain 118 seats in the chamber by backing it during the campaign.

The prospect of forming a government with a clear parliamentary majority – despite serious divisions within the Freedom Alliance – has prompted heavy buying of stocks on the Milan bourse this week and a strengthening of the lira against the D-mark.

The lira was yesterday being traded at L960 against the D-mark compared with over L990 in the run-up to the elections. The lira has long been considered under-valued, and the market has been waiting to see the outcome of the elections. The currency has also firmed because of tentative signs that the recession has bottomed and a recovery, albeit timid, is on the way.

The financial markets added to gains made on Thursday as traders predicted that a government could soon be formed. They appeared to shrug off events yesterday.

"It is all part of the negotiating game. Of course, they are going to sell their support for the highest price they can," said one Milan broker. Shares on the Milan stock exchange added to recent gains, with a 1.6 per cent rise yesterday, taking the BCI index to a close of 735.11.

All-seater target for football clubs may be dropped

By David Owen

Ministers may drop the requirement for Britain's leading football clubs to have all-seater stadiums by August in a move that could mean a reprieve for terrace culture.

They are considering whether to extend this summer's deadline – which in England includes Premiership and First Division clubs – on a case-by-case basis, and whether to combine this with a change in the law to remove the all-seater requirement.

This would be as part of a reform of the three acts governing sports grounds, which ministers would like to see rationalised into one as part of the government's wider deregulation initiative.

If the proposed reform makes it on to the 1994-95 legislative timetable, as the Department of National Heritage is understood to have requested, this could mean a permanent reprieve for some terraces – with their tradition of songs and chants and cheaper admission prices.

Although several clubs are struggling to meet the August deadline, such a reversal of policy would probably be viewed dimly by those that have already spent heavily to upgrade their grounds as required.

The apparent softening of the government's stance stems from two main factors:

- a growing feeling that the Taylor report into the 1989 Hillsborough disaster, which led to the all-seater requirement, took an understandably but unnecessarily rigid line. Some 95 fans were crushed to death on the terraces at the Sheffield football ground.
- Improvements in ground safety technology. Mr Iain Sproat, national heritage minister, is understood to have been impressed by a system that monitors pressure around a stadium.

Mr Tom Pendry, a Labour national heritage spokesman, recently referred to this system, saying: "I firmly believe that, in the light of new developments, supporters should be given the opportunity to stand in new, safer areas."

Barnsley will be applying for an extension to the August deadline, according to Mr Michael Spinks, general manager.

The club recently received planning consent for a 4,500-seater stand that would lift its seating capacity to more than 14,000. But this will not be open until 1995 at the earliest.

Rebates for sports clubs, Page 9

Rail companies may have to honour most tickets of rivals

By Charles Batchelor, Transport Correspondent

A potentially significant barrier to the smooth operation of ticket sales on Britain's newly-privatised railways could be lifted under proposals being considered by the railway franchising director, Mr Roger Salmon.

One option being studied would oblige the private train-operating companies which take over British Rail franchises to accept most of the tickets issued by other train companies.

Under the original rules governing rail privatisation, the new train operators would have only had to accept other full-fare and season tickets. These would account for just 20 per cent of all tickets issued.

Many travellers could have been forced to buy more than one ticket if their journeys involved services operated by more than one train company.

On routes with services provided by competing companies, travellers might not have been able to use the most convenient onward or return train.

The "interavailability" of tickets threatened to become a significant barrier to the smooth operation of the network after privatisation.

But Mr Salmon, who has responsibility for selling off BR's operations, is now considering ways of increasing interavailability. One would be to make rail companies accept each other's tickets for most journeys.

This would avert possible disruption to travellers if tickets were not accepted across the new network. Mr Salmon has faced complaints from passenger groups concerned about inconvenience to travellers.

He wants train operators to accept most of each other's tickets. However, they could opt out if they proved that by not accepting the tickets of a rival, competition would be increased and the traveller would get a better deal.

Mr Salmon is understood to

Continued on Page 26

End of BR as we know it

Nearly half a century of centralised railway operations ended yesterday when British Rail handed control of its network to a host of newly-created businesses, writes Charles Batchelor.

Responsibility for nearly 10,000 miles of track and 2,500 stations has been given to Railtrack, while more than 50 independent businesses have started taking over passenger and freight train operations, railway maintenance and rolling stock finance.

BR will continue in a much slimmed-down form easing businesses still nominally under its control into the private sector before finally closing.

In the early stages the privatisation will lead to a doubling of subsidies, though these are expected to fall in later years.

The government foresees pressure on its finances falling eventually. The public fears higher fares and cuts in services.

'Train set' costs £10m, Page 8

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Bossi sets out his store for Berlusconi

Northern League leader begins his campaign for concessions

By Robert Graham in Rome

Mr Umberto Bossi, the fiery leader of the populist Northern League, has begun a high stakes game of bluff and threat to wring out the maximum amount of concessions for joining the next Italian government.

This means that over the next few days there were will be some confusing and belligerent noises coming from the Bossi camp as media magnate Silvio Berlusconi tries to hammer out a consensus on a government programme.

However, Mr Bossi appears to have accepted the principle that the League be part of the government in the wake of the overwhelming election victory by the right-wing Freedom Alliance.

He also appears to have dropped his resistance – again in principle – to the presence in government of members of the neo-fascist MSI/National Alliance of Mr Gianfranco Fini, the third main component of the Freedom Alliance.

Thus the discussions now taking place are over the nature of the government programme and the role the League should play in government.

Yesterday Mr Berlusconi met for the second time in three days with League representatives. Whereas Mr Bossi was present at the first encounter, yesterday he deliberately delegated his most trusted aide, Mr Roberto Marone, to meet Mr Berlusconi, and so distanced himself from the negotiations.

"We will put together a government and it will be a strong one," Mr Marone said afterwards. But neither he nor a statement from Mr Berlusconi's Forza Italia movement gave any idea whether their differences were being narrowed.

Mr Berlusconi himself yesterday refused to be tied to a timetable for forming the government. "Parliament reassembles on April 15. But this is not necessarily the date for the formation of the government," he said.

In the past Mr Bossi and Mr Marone have proved a highly effective duet. Mr Bossi makes the tough uncompromising public statements: in private Mr Marone softens them and acts as the go-between. They are likely to repeat this tactic now with Mr Bossi threatening not to join the government and Mr Marone then making light of such threats.

Posters are up in Italy thanking voters for backing media magnate Silvio Berlusconi in elections

It is also a way of Mr Bossi trying to impose his demand that Mr Marone be the next prime minister, instead of Mr Berlusconi. Mr Bossi argues that with 118 seats in the Chamber of Deputies compared with the MSI's 105 and Forza Italia's 101, the premier should come from the largest represented party.

Having bad-mouthed his allies and associates in the Freedom Alliance throughout the election, it was too much to expect the voluble League leader to soften his language immediately. He also has to placate unease among his rank and file over doing a deal with the MSI. Nevertheless, Mr Bossi's tone and emphasis has changed.

Instead of attacking the MSI as being "reactionary fascists," he is insisting the next government be built round acceptance of a new federalist approach to Italy's constitution. This has long been a League platform and a major point of difference with the MSI which believes in the opposite – a strong centralised state.

Mr Berlusconi stands somewhere near the middle in this argument. A northerner, he understands the frustrations of the League at seeing the hard-working north underwriting the inefficiency and waste of Rome and the south. His free-market instincts also attract him to the idea of greater administrative and fiscal devolution in Italy, the most centralised state in the EU.

One way round the impasse between the federalist League and the centralist MSI is an agreement to introduce direct elections for the president of the republic, giving the presidency almost French-style powers.

Only when these issues are resolved will the parties move on to finding common ground on measures to deal with the economy, another key area of potential disagreement. The economic programmes of the three parties, hurriedly put together prior to the elections, have few points in common.

Although the Italian media have been full of lists of potential ministers during the past few days, Mr Berlusconi yesterday insisted no appointments had been decided. Mr Berlusconi is determined to cut the number of ministries by up to one third and is considering carrying out the much-studied amalgamation of the Treasury with the budget and finance ministries.

German interest rate cuts urged

By Christopher Parkes in Frankfurt

The German economy is so weak that further interest rate cuts are essential, and the government must also act to encourage job creation and prevent further contraction in domestic demand, a top Deutsche Bank executive has warned.

The Bundesbank, the central bank, need have no fear of prompting a rise in the US dollar and thus fuelling imported inflation, Mr Ulrich Cartellieri told the bank's annual press conference.

Nor need it worry about disturbing European exchange rates to the disadvantage of German exporters.

Mr Cartellieri, the main board director responsible for foreign exchange and the economics department at Germany's biggest private sector bank, said the weakening dollar was virtually an "invitation" to rate cuts.

Every German rate reduction would be fully followed by European neighbours, he added.

Other conditions were also favourable. Inflation was falling, and the recent annual pay round had resulted in the lowest wage increases since introduction of the D-Mark in 1948.

Meanwhile, the economy remained weak. Unemployment would increase by around 500,000 to 4.5m this year. Exports might increase 5 per cent, but that would not compensate for last year's 10 per cent drop.

Nor was there any chance of internal improvements, Mr Cartellieri claimed. Private consumption would fall at least 1 per cent this year and drop again in 1995 on the introduction of a 7.5 per cent income tax surcharge and new nursing care insurance contributions.

Stating his case against a background of rising optimism in industry, he said false conclusions should not be drawn from the apparent improvement in company profits.

This was due to reduced one-off costs for restructuring rather than a real upswing, he claimed.

No-one should count on increased investment. "Even stagnation at last year's extremely low level could be counted as a success in 1994."

Expectations of 1 per cent economic growth in western Germany this year were based entirely on improved exports and special factors prompting a boom in house building.

Government forecasts of 1.5 per cent pan-German growth were based on "rather optimistic" assumptions, he said.

Results, Page 13

Air France to canvass support from workers

By John Ridding in Paris

Mr Christian Blanc, chairman of Air France, is to seek a vote of support from the company's 40,000 staff in an attempt to push through a recovery plan which he says is vital for the airline's survival.

Mr Blanc's decision to launch a referendum on his recovery package follows his failure to win the backing of trade unions for the plan. By Thursday's deadline, only six of the airline's 14 unions had signed the restructuring programme, which aims to increase productivity by 30 per cent over the next three years through 5,000 job cuts, a wage freeze and promotions, and other efficiency measures.

Mr Blanc, who has threatened to resign if the plan is rejected, called for a "clear and massive" response to help save the state-owned carrier, which suffered an estimated loss of FFr7.5bn (£880m) last year and has debts of almost FFr40bn. A capital injection of FFr20bn from the state is conditional on staff support for the plan.

Results of the referendum will be announced on April 11.

Mr Blanc's chances of success in the poll have been boosted by the support of Force Ouvrière, the largest of the airline's unions, which played a key role in the wave of strikes which scuppered a previous rescue plan last October.

The failure of the plan prompted the resignation of Mr Bernard Attali, then chairman of the airline, and represented a serious setback for Prime Minister Edouard Balladur's centre-right government.

Force Ouvrière said a ballot of its members had resulted in 90 per cent support for the restructuring package.

The second and third largest unions at Air France, however, refused to accept the restructuring package. Mr Raymond Besco, general secretary of the communist Confédération Générale du Travail, said the referendum "does not respond to the fundamental problems of the airline". He said, however, that the union was not advising members how to vote.

The Confédération Française Démocratique du Travail, the third largest union, also rejected the plan. "The measures represent, in a different form, those which were massively rejected during the conflict last October," said Mr François Cabréra, a union official.

Balladur's rocky road to the Elysée

The PM's presidential hopes have been undermined, writes David Buchan

Prime Minister Edouard Balladur's latest climbdown, over youth wage cuts, has triggered a period of political instability that will probably last until next May's presidential election.

Supporters of Mr Jacques Chirac, Mr Balladur's rival for the Elysée, now smell blood. The triumphant students and the revived left-wing opposition have been crowing their victory over the prime minister, but more dangerous have been the calls for ministerial resignations coming from within the RPR Gaullist party to which Mr Balladur belongs, but which Mr Chirac heads.

Most of the fire is directed at Mr Michel Giraud, the labour minister, who only a few days ago was claiming the government would stand as solidly in defence of its youth wage law as the French army did against the Germans at Verdun. But as the "Chiraquiens" know well, Mr Giraud's successive tergiversations on employment policy are also those of his prime minister, and therefore the latter cannot decently sacrifice him without jeopardising further his own credibility.

In terms of social unrest, the worst may be past for Mr Balladur.

Calm may now return to the streets, though this is not certain if Air France staff take a page out of the students' exercise book and reject the government-supported restructuring for the ailing airline. As far as the economy is concerned, the worst is probably past too.

Economic activity is continuing its very slow, but progressive, recovery from last year's trough. But the sight of a dejected Mr Balladur marking his first anniversary at the Matignon with a humiliating retreat has reinforced the feeling of many in the RPR party machine that they should stick with their founder-president, Mr Chirac, for 1995.

His forays indicate persistent interest in the ultimate prize in French politics

So, whatever happened to Mr Balladur, the self-styled reformer riding so high in the polls? In a document designed to vaunt the achievements of his first year, the prime minister himself identifies his three problems.

● "Public opinion which both desires and recoils from reform." Mr Balladur had little problem with some reforms, notably giving the Bank of France independence in setting monetary policy and in launching his privatisation programme, though he has made the task of preparing more state companies for sale harder this week by extending until the end of the year his freeze on public sector redundancies.

But on educational and labour reform, he has hit nothing but trouble, even though some reform is long overdue; parts of the employment law, which was passed last autumn but which has taken such a battering since, are designed to overhaul labour legislation dating back to the Popular Front in 1936-7.

The upshot has been to reinforce Mr Balladur's natural caution, with the inevitable result that the pace of reform will be slowed in endless consultations.

● "The economic situation, even if it improves, deprives us of the necessary budgetary and social room for manoeuvre." Latterly, Mr Balladur has seemed to be paying scant attention to his budgetary constraint as he has successively bought off French farmers, state school teachers, fishermen, and now – in a manner of speaking – students. His FFr1,000-FFr2,000 (£117-£235) a month subsidy to employers giving young people their first job may cost FFr6bn this year.

At the same time Mr Balladur has pledged to rein in steadily public spending in order to fit France for the future disciplines of European monetary union. This task is rendered more difficult by his decision, with an eye to running in 1995 on a strong defence platform, to raise slightly military equipment spending.

Where is his political "hush" money to come from? Privatisation is the obvious, but not inexhaustible, source now that Mr Balladur has postponed the sale of Renault.

Mr Balladur is known to be frustrated at the Bank of France's cautious policy on interest rates, and must therefore have been pleased when the central bank on Thursday sliced another 0.1 point off its intervention rate to bring it down to 5.9 per cent. Though he would never say so publicly, he is almost certainly in agreement with the Organisation for Economic Co-operation and Development's recent call for French rates to come down further and faster.

● "The presidential election campaign is weighing too early on people's minds." Mr Balladur could, of course, deal with this problem simply by announcing that he is not a candidate for the Elysée, leaving the pundits only the minor pleasure of speculating about which Socialist candidate (probably Mr Michel Rocard) gets to be beaten by Mr Chirac.

No one who saw Mr Balladur look so demoralised this week would rule such an announcement out. But next week he is visiting China.

All his forays, unusual for a French prime minister, into foreign and defence policy indicate his persistent interest in the ultimate prize in French politics.

No one knows how the Balladur-Chirac rivalry will play out, in the probable absence of any clean-cut mechanism like a US-style primary election taking place in France. One theory has it that only by climbing back in the opinion polls to where he was last year – which now seems improbable – can Mr Balladur displace Mr Chirac's natural hold over the RPR.

But Mr Balladur has one ace – the centre-right UDF party among which he is more popular than among his own Gaullist ranks. If the UDF were all to tell the RPR that the French right must field a single candidate, so as to avoid past divisions, and that that candidate must be Mr Balladur, this prime minister might still recover to go on to higher things next year.

Belgian push to sweeten chocolate sales

Gillian Tett on how hopes are being pinned on exports

One company is so secretive that it refuses to reveal how many Easter-eggs it makes. Another recently sent out spies to test the quality of a competitors' truffles. A third is quietly plotting to usurp a rival's royal seal.

As Europe prepares to embark on its annual Easter-egg binge, Belgium's luxury chocolate sector is bubbling with some serious business battles.

Faced with a domestic market that is almost saturated, after a decade in which total domestic chocolate production has more than doubled to some 300,000 tonnes, its luxury chocolate makers are now gearing up for an export drive.

It is a battle, however, that is provoking soul searching, particularly among the small – and highly secretive – band of traditional chocolate makers, who have been the source of Belgium's luxury chocolate fame.

Although most recognise that their best hope of expansion will be through export, some fear this could eventually cost them their independence.

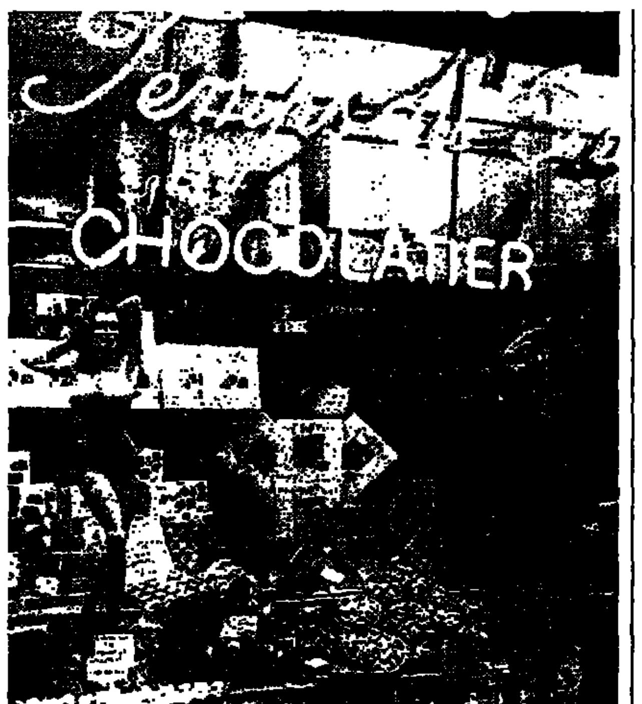
"It is a difficult situation. We want to export. But if we lose the quality we are in danger of losing our name," explains Mrs Miriam Wittamer, a third-generation traditional chocolate shop owner – a business where white-robed workers still dip chocolate rabbit moulds by hand before filling them with pralines made to a closely guarded recipe.

Their fears have been fuelled by change. Belgium's largest mass market chocolate producer, Cote D'Or, has been gobbled up by the Swiss company Jacobs Suchard, and Godiva – Neuhaus's main rival in the mass-produced luxury market – is now part of the US group Cambells' Soup.

These changes have spurred the luxury end of the market into action. Godiva, which started as a family business in 1927, now splits its production between the US and Belgium and records a turnover of about BFr1bn (£19m) a year, with more than 50 per cent of its sales now export-driven.

"Export is where the main growth is now. The Belgians already eat a lot of chocolate – it's hard to get them to eat any more," says Mr David Johnston, European manager of Godiva. Although Belgian chocolate has enjoyed a higher prominence in the Anglo-Saxon world – exemplified by Haagen-Daaz's recent decision to use its name in the luxury ice-cream brand – the main challenge now, he says, is boosting recognition among German and French consumers.

Neuhaus, the oldest chocolate house and one of the few large ones still entirely Belgian-owned, saw its profits rise by 10 per cent last year, to reach a turnover of BFr1.1bn, after a period of stagnation in the 1980s. It has recently opened 120 foreign outlets and conducts 30 per cent of its business outside Belgium.



Hunt for growth: luxury chocolate makers are looking abroad

Meanwhile, the secretive Leonidas group, which is controlled by a Greek family, is estimated to have a turnover of about $86m (£58.9m), controlling half the luxury "praline" chocolate market in Belgium with a network of some 1,600 independent overseas distributors.

But most of the tiny, traditional chocolate makers, who continue to produce the most exclusive Belgium chocolates, are still struggling to find their own export networks, hampered by their small levels of production and problems of distributing a product whose shelf-life is rarely longer than a few weeks.

Some believe their best hope would be through the duty free or mail order business. Meanwhile, others admit they have already had bigger players sniffing at their doors.

"There is a danger that some artisans could be taken over," explains Mrs Sanné Lamberty, owner of Mary, a traditional Brussels chocolate maker, who enjoys the coveted right to supply to the Belgian royal court. "But the fact is we do not want that at all."

Russia aims to clear $900m arrears with innovative package

Hungary wary of debt swap deal

By Nicholas Denton in Budapest

Moscow yesterday agreed to offer stakes in Russian ventures as part of an innovative settlement of the country's $900m (£616.4m) trade debt with Hungary, the former Soviet satellite.

In Budapest this week a Russian delegation, led by Prime Minister Victor Chernomyrdin, presented a list of 80 privatisation projects in which Hungarian participation was invited.

Mr Bela Kadar, Hungarian minister of international economic relations, said Hungarian companies were pressing for shareholdings in the Russian energy, vehicle manufacturing and pharmaceutical sectors.

The minister calculated that Hungary's proposals implied a debt-for-equity deal worth up to $500m but cautioned: "We have to harmonise Hungarian demand and Russian supply."

Budapest will be aware of the limited success so far of debt-for-equity swaps with Russia. Skoda Plsen, the Czech engineering company, last year pressed for shareholdings in Russian rolling stock companies in exchange for trade debt, without success.

Nevertheless Hungary said it had little choice. A Foreign Ministry spokesman said: "If there is this debt, we have to use it."

The Russian deal with Hungary is the mirror image of the situation in the former Soviet Union, where Russia is the creditor, attempting to retrieve debts from other former Soviet republics.

Russia last month pushed for ownership in Ukrainian underground gas storage tanks and gas transit pipelines as part of a debt settlement with Kiev. In the former Soviet Union, Russian demands for equity in the energy industry are also seen as an effort to regain economic influence.

To pay off the remainder of the arrears to Hungary by the agreed deadline of 1996, Russian enterprises may also assist in the construction of Budapest's fourth metro line as well as supplying military equipment.

Any arms sales would be in addition to the deal last year whereby Hungary acquired 28 Mig-29 fighter aircraft, spare parts and ammunition worth $800m from Russia.

When east European countries closed the books on their trade under the old Comecon system in 1992, Russia carried over a debt of $1.7bn with Hungary. Nearly half of that outstanding balance was cleared last year and yesterday's agreement settled the remainder, at least in principle.

Claims carried over from the previous trading system have proved a constant factor, and often irritant, in relations between Moscow and the former Soviet satellites.

Russia paid off some of its debt to Slovakia last year by delivering five Mig-29 aircraft. Moscow and the Czech Republic have not come to terms.

Stronger growth forecast for Netherlands economy

By Ronald van de Krol in Amsterdam

The Dutch economy is poised to enjoy substantially stronger growth in 1995, putting two years of more sluggish performance behind it, according to new official forecasts.

The Central Planning Bureau, a government-run agency which produces independent economic assessments, said that gross domestic product should rise to 2.5 per cent next year from a projected 1.0 per cent this year and 0.3 per cent in 1993.

But, in a cautionary note, it said the increase would be due mainly to higher exports, with domestic consumption expected to remain relatively weak.

Inflation, which was virtually non-existent in the Netherlands in the late 1980s, is forecast to pick up slightly, reaching 2.75 per cent this year and next year compared with 2.6 per cent last year.

However, in spite of the stronger performance of the economy as a whole, unemployment is expected to continue rising, with the number of jobless people forecast to rise to 630,000 in 1995 compared with 550,000 last year.

The upturn in the Netherlands is likely to be part of a wider upward trend in Europe, the CPB said in its annual spring report. "The lowest point of the recession in Europe has been passed, in our opinion," Mr Gerrit Zalm, the CPB's director, said.

Dutch exports, excluding energy products, are projected to recover from their 0.1 per cent dip in 1993 to increase by 3.75 per cent in 1994 and then rise to 5.75 per cent in 1995, reflecting expectations of more buoyant world trade. The Netherlands generates around half of its gross national product through the export of goods and services.

The Dutch economy which has traditionally been tied to that of Germany, its biggest trading partner, has avoided the recession that has plagued its eastern neighbour in the early 1990s.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 5964481, Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David G.M. Bell and Alan C. Miller. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl- Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International).
Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.

FRANCE
Publishing Director: D. Good, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

DENMARK
Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41, Fax 33 93 53 35.

INTERNATIONAL NEWS DIGEST

Greek lobby slows US plans on Macedonia

The influential Greek lobby in the US appears to have had some success in slowing down the Clinton administration's announced plan to proceed to full diplomatic relations with the former Yugoslav republic of Macedonia.

While the State Department has continued to insist this week than an embassy would eventually be established in Skopje following the decision to recognise Macedonia despite Greek objections, it declined substantive comment on an apparently well-sourced column by Mr Jim Hoagland in the *Washington Post*. This pointed to a critical White House meeting on March 9, which brought together President Bill Clinton, vice president Al Gore, and national security adviser Tony Lake with a Greek-American delegation, led by Senator Paul Sarbanes of Maryland.

Mr Hoagland quoted a satisfied member of the delegation as asserting that Mr Clinton said he had already decided not to go ahead and open an embassy until progress was made in the Greece-Macedonia dispute. The president's thinking was reported to be in accord with that of the Greek government.

The State Department, which has been critical of Greece's behaviour towards Macedonia, was not represented at the meeting. But Mr George Stephanopoulos, the senior adviser who is the son of a Greek Orthodox priest, was. Mr Hoagland also saw the influential hand of Ms Nancy Soderberg, a member of Mr Lake's staff, in the president's reported decision.

Mr Victor Comras, the diplomat reportedly in line to be ambassador to Macedonia, may be despatched, but only as head of a diplomatic liaison office. *Jurek Martin, Washington*

UN forces may go to Gorazde

The United Nations is considering the despatch of 800 Ukrainian peacekeepers to Gorazde, the besieged Moslem enclave in eastern Bosnia, a UN official said yesterday.

The move comes as Serb attacks on Gorazde, a UN-designated safe area, have left 30 people dead and 132 wounded since Monday. By contrast, Serbian media reported that an all-out Moslem offensive was under way as the two sides fought pitched battles in the fiercest clashes since the war began in April 1992. UN officials said some of the Serb attacks may have been in response to Bosnian government "infantry probes".

The UN was also considering the deployment of reinforcements for the French peacekeeping contingent in Bihac, in Bosnia's north-western Moslem area, where Serb and Bosnian forces yesterday signed a ceasefire, said a senior UN official. The plans for bolstering the peacekeeping forces in Bosnia follows approval by the UN Security Council on Thursday of an extra 3,700 troops and advisers. *Laura Silber, Belgrade*

Exports to Latin America rise

For the first time in 12 years Germany recorded a trade surplus of DM1.8bn (£700m) with Latin America during the first nine months of 1993, helped by a 56 per cent increase in exports to Brazil and a 17 per cent drop in imports. Prospects for the continent improved dramatically with a net capital inflow of about $50bn last year, of which $17.5bn comprised direct foreign investments, according to figures from the Deutsch-Südamerikanische Bank, a part of Dresdner Bank.

German exports to Latin America rose by just over 6 per cent to DM11.2bn while its exports worldwide fell almost 13 per cent. Weak prices for coffee, copper and other commodities caused the sharp fall in imports. Plant and machinery made up about a third of exports to Brazil where a surge of almost 5 per cent in GDP wiped out a traditional German trade deficit with Latin America. Exports to Colombia and Paraguay also rose, while shipments to to Mexico dropped 6 per cent. *Michael Lindemann, Frankfurt*

Doyle to quit Irish bank post

Mr Maurice Doyle, the governor of Ireland's central bank, is to step down at the end of this month having completed a seven-year term of office. The Department of Finance said yesterday that Mr Doyle was not seeking reappointment for a second term, but gave no indication of who might replace him. Mr Doyle, 62, has built a reputation of being a strong and forthright governor, quick to assert the bank's independence.

Mr Doyle had also spent 30 years working in the Department of Finance, and was its top civil servant for six years. He has been one of the key figures behind Ireland's "strong punt" policy, pursued by successive governments since the late 1980s, which together with sharp cutbacks in government borrowing over the same period, has helped bring Ireland's inflation rate (1.6 per cent in 1993) down to one of the lowest in the EU. The next governor will oversee the separation of the London and Dublin stock exchanges, tentatively scheduled for later this year. *Tim Coone, Dublin*

China detains dissident again

China yesterday detained its most prominent dissident for the second time in a month, thus risking further inflaming international criticism of its human rights behaviour. Police seized Wei Jingsheng, the pro-democracy activist, as he was travelling by car from the port city of Tianjin to Beijing. He was "exiled" to Tianjin last month during the visit to China of Mr Warren Christopher, the US secretary of state.

Mr Wei, 44, was held for 30 hours last month on the eve of Mr Christopher's arrival in Beijing before being sent to Tianjin. China's crackdown on political dissent in the past month, including the arrests of more than a dozen activists, has been condemned internationally. The arrests coincided with indications of growing official nervousness over dissident activity and signs of industrial unrest. *Tony Walker, Beijing*

US-Singapore caning row

Singapore yesterday expressed regret that the US embassy in the country had again questioned the judgment of local courts in the case of an American teenager sentenced to be lashed for vandalism. The acting US ambassador described the penalty as excessive "for a youthful non-violent offender who pleaded guilty" after an appeal against the sentence failed on Thursday.

In dismissing the appeal Chief Justice Yong Pung How said that Michael P. Fay, 18, committed acts of vandalism "relentlessly and willfully". He pleaded guilty on March 3 to two charges of vandalism, which involved spraying paint and tossing eggs at private cars last September. Three strokes of a bamboo cane across the bare buttocks are mandatory under Singapore law for each vandalism charge. *AP, Singapore*

Coal miners threaten strike

Russian coal miners threatened yesterday to stage an all-out strike from April 13 that could deal a severe blow to the fragile economy and shake the government. About 500 miners' representatives from across the country adopted a resolution calling for an indefinite strike unless the government honoured a promise to pay money owed for salaries. Deputy Prime Minister Alexander Shokhin had promised to grant the coal mining industry 1.2 trillion roubles (£465m) this month to cover salaries. *Reuter, Moscow*

Japan reactor near critical level

A nuclear chain reaction will reach a critical, self-sustaining level next Tuesday in Japan's controversial "fast-breeder" nuclear reactor, officials said yesterday. The fast-breeder reactor uses plutonium as a base substance to generate electric power. Other industrialised nations have dropped plans for fast-breeders because of the hazards associated with plutonium, leaving Japan as the only country actively pursuing the technology as an energy source. The plant, is located in Tsuruga, Fukui Prefecture, 335 km west of Tokyo. *AP, Tokyo*

Hosokawa comes under mounting fire

By Emiko Terazono in Tokyo

A group of parliamentarians travelled in pouring rain yesterday to the home town of Mr Morihiro Hosokawa, the Japanese prime minister, to inspect his ancient mansion in Kumamoto, southern Japan.

The opposition Liberal Democratic Party members were trying to disprove Mr Hosokawa's claim that he used a Y100m (£653,000) loan from the Sagawa Kyubin trucking company to mend his gate and walls.

They allege the prime minister instead used the money to secure his candidacy for gubernatorial elections in 1983.

Revelations that Sagawa bribed politicians for favours helped to bring down the long-ruling LDP last year, enabling Mr Hosokawa to take power.

In the latest offensive, LDP and communist parliamentarians are blocking Mr Hosokawa's Y73,080bn (£477.4bn) budget for the business year which started yesterday.

They are refusing to allow deliberations on the budget until the prime minister brings in his former secretary to testify before parliament and proves that he repaid the loan to Sagawa.

The situation is beginning to resemble that of 1989, when Mr Noboru Takeshita was forced to resign as prime minister over links with the Recruit stocks-for-favours scandal in exchange for passage of the annual budget bill.

The wrangling is getting more public attention than Mr Hosokawa's handling of trade tensions with the US or the faltering domestic economy.

Economic implications of the budget boycott are severe. A provisional budget for the first 50 days passed through the upper house last night, but lack of a full budget jeopardises planned tax cuts that are the centrepiece of Mr Hosokawa's package aimed at reviving the economy.

Some members of Mr Hosokawa's coalition are even suggesting that the prime minister give in to the opposition demands, since they believe LDP scrutiny can only damage his credibility.

The purchase of 300 Nippon Telegraph and Telephone shares by the prime minister's father-in-law in 1986 is also being questioned by the LDP.

Mr Hosokawa supplied the collateral for loans to buy the shares, but he has denied any involvement in the purchase.

While stock purchases by politicians are not illegal, Mr Hosokawa's continued denials, in spite of claims by a stock consultant that he had arranged the deal for the prime minister, has made the issue an ideal target for the opposition parties.

Some political analysts believe that, as much as they would like to, the LDP does not have the clout to force Mr Hosokawa to resign. "They can only drag him through the mud," says Mr Jeff Young, political analyst at brokers Salomon Brothers in Tokyo.

But Mr Hosokawa's image as a clean politician dedicated to reform has been tarnished and his popular support is declining. Until now, his high ratings in the opinion polls have provided bargaining power and helped bolster his political position. Already, the prime minister's opponents are taking advantage of that dwindling support.

Riot police check the Asahi Shimbun building in Tokyo yesterday after two right-wing extremists armed with a gun and a Japanese sword burst into the newspaper's offices and took hostages before surrendering to police Reuter

Japanese score a victory for consumers' rights

But there are still doubts about the impact of a planned new product liability law, writes Michiyo Nakamoto

The legal victory this week of a small construction company over Matsushita, the electronics giant, in a unprecedented product liability case has raised hopes in Japan that consumers have finally won their day. The Osaka district court ruled Matsushita was responsible for a fire that started in a Matsushita-made television set at the construction company's office.

But in Japan, where corporate interests generally prevail over the rights of individuals, any celebration of consumer victory is tempered with caution. "We welcome the ruling but are worried it could send the wrong message to consumers that the law will help them more than will actually be the case," says Ms Yoko Tomiyama, head of the Consumers' Union.

The same goes for a new product liability bill being drawn up by the government and expected to be enacted in 1995. The legislation, which follows nearly two decades of debate, is to give consumer legal protection. But it has been undermined by pressure by industry and the previous government.

The draft bill to be presented to the Diet this month has been criticised as weak and full of loopholes. Critics say it could be worse than present legislation. Currently, consumers have to negotiate directly with a manufacturer or launch negligence actions.

But Mr Hideki Sugiura, a lawyer specialising in product liability cases, says that in Japan, courts gives people little room for doubt in proving they were hurt by a product defect. "The Matsushita case was an exception among exceptions."

Under Japanese law it has been difficult for consumers to win product liability cases because they have to prove not only that the defective product caused damage, but also that the manufacturer produced the defective product intentionally or accidentally.

There have been only 127 product liability cases between 1949 and 1991, according to the Ministry of International Trade and Industry.

The draft bill is based on a report of the prime minister's Social Policy Council, which largely reflects the views of ministries, industry and academics. It has drawn criticism from consumer groups and lawyers.

Critics say that, as it stands, it favours industry over consumers. It would let manufacturers plead innocence on the grounds that danger could not be predicted in the light of technical standards at the time. This provision was included to answer concerns that strict liability rules would hamper manufacturers' drive to develop new products.

At the same time, while access to crucial corporate information would still be severely restricted, the draft bill requires the party seeking damages to pinpoint where exactly the defect is located. The bill further exempts a number of products, such as buildings and certain vaccines from liability. Critics also charge that the rule holding manufacturers liable for only 10 years after a product is put on the market, restricts consumers' ability to win cases, particularly where drugs are concerned.

Mr Sugiura believes that the worst of the proposals is the requirement that the term "defect" be strictly defined. This, he argues, helps manufacturers to prepare for the possibility of liability. "If that is included, it would be worse than not having a PL law at all," he warns.

Critics also say the proposals fall short of legislation protecting consumers in the US. "At first we were worried that the Japanese law would be as diluted as that in parts of the European Union, but now we are worried that it will be worse," says Ms Tomiyama of the Consumers' Union.

If the proposed bill goes through as it stands, it will be firm testimony to the strength of industry's voice in the government.

But Mr Sugiura is still hopeful. The governing coalition has set up a product liability project team which has mainly lawyers as its members. This group is trying to get the Social Policy Council's proposals reviewed, particularly on the definition of defects, and will have a significant influence over the final form of the bill. "That is something different from the previous government and offers hope for the bill," he says.

Israel in accord on Palestinian police for Gaza

By David Horovitz in Jerusalem and Mark Nicholson in Cairo

Israel has agreed to allow a first contingent of 300 to 400 Palestinian policemen to be deployed in the Gaza Strip early next week in the first vestige of Palestinian self-rule in the occupied territories.

Israeli and PLO officials will resume intensive negotiations in Cairo tomorrow on the final aspects of the much-delayed "Gaza-and-Jericho-first" Palestinian self-rule deal, with a view to reaching agreement within two weeks.

The intensified activity follows Thursday's breakthrough when Israel and the Palestine Liberation Organisation concluded a deal for the deployment of a 160-strong international observer force in Hebron, to serve as protection for the Palestinians there in the wake of February's Hebron mosque massacre.

The force will comprise 90 Norwegians, 35 Danes and 35 Italians – 60 of them lightly armed for their "personal protection." The mandate is for three months but can be extended if both sides agree.

In Tunis, PLO officials said they hoped Israel could complete its militarywithdrawal from Gaza and Jericho by April 13, as originally scheduled in the declaration of principles the two sides signed last September in Washington.

"The Israelis know how important this date is and we will insist on it very hard," said Mr Marwan Kanafani, an adviser to Mr Yassir Arafat, the PLO chairman.

PLO Officials in Cairo said they believed the two sides were close to announcing the date for an Israeli withdrawal. But they would not confirm remarks by a PLO official in Jordan that Israel had already agreed to begin withdrawal on April 12 and complete the pullout by April 30.

Mr Nabil Shaath, the chief PLO negotiator, said after the Cairo deal was reached that it marked "a renewed commitment to finish by the target dates".

PLO and Israeli officials have emphasised during last week's talks that the Hebron massacre and events since have heightened the need to speed implementation of the Gaza-Jericho deal.

Kantor presses Gatt over workers' rights

By David Goodhart, Labour Editor

The US has given its strongest warning to date that continuing refusal by other countries to discuss workers' rights will undermine US support for the Uruguay Round trade accords due to be signed in Marrakesh on April 12-15.

Mr Mickey Kantor, the US trade representative, has written to Mr Peter Sutherland, director general of the General Agreement on Tariffs and Trade, warning: "Failure to address the labour standards issue at Marrakesh will severely undermine the broad political support that has developed for the Uruguay round results in the US."

The US wants ministers to examine the link between workers' rights and the world trading system when they meet to sign the Uruguay Round agreements.

It is backed strongly by France and Canada, and with reservations by the European Union. Opponents argue that the workers' rights issue is either a form of disguised protectionism by developed countries or that it is inappropriate to link the issue with trade.

But Mr Kantor, a former union lawyer, has a personal commitment to the issue, as does President Bill Clinton. Mr Mark Anderson, an official of the AFL-CIO union organisation, said: "Congress would take it very seriously if we come back from Marrakesh empty-handed."

Central bank chief resigns in Malaysia

By Kieran Cooke in Singapore

Mr Jaffar Hussein, governor of Bank Negara, Malaysia's central bank, resigned yesterday after taking responsibility for losses amounting to thousands of millions of dollars due to trading in foreign exchange markets.

Presenting its 1993 annual report on Thursday, Bank Negara disclosed that it lost more than M$5.7bn (£1.43bn) through foreign currency transactions last year. That followed a loss of nearly M$10bn in 1992.

Mr Lim Kit Siang, a Malaysian opposition leader, said that Mr Anwar Ibrahim, Malaysia's deputy prime minister and finance minister, should also resign and that a royal commission should be appointed to investigate the latest losses by the central bank.

"This is the greatest financial scandal in Malaysian history," said Mr Lim.

Bank Negara has long been known as an aggressive player in foreign exchange markets. Mr Jaafar said he took full responsibility for the loss.

"In the absence of perfect hindsight, mistakes will be made – indeed they were made," he said.

Mr Jaafar said there had been inadequate monitoring of the bank's foreign exchange activities. "The system is put right now ... an unfortunate chapter in the bank's history is now closed," he added.

Bank Negara says that the 1993 losses were caused mainly through unwinding forward positions taken up the year before.

The bank's losses in 1992 were mainly due to the bank's ill-fated foray into sterling, in the days before the withdrawl by Britain from the European Exchange Rate Mechanism and the subsequent devaluation of the pound. Losses also came through trading in the German mark.

Mr Jaafar said that all forward trading positions had now been unwound. He said that, in future, the bank would confine itself to spot trading in managing its international reserves.

However, Bank Negara's 1993 accounts reveal further contingent liabilities of M$1.41bn. Banking analysts also point out that, but for a steep depreciation in the ringgit (the Malaysian dollar) during the last days of 1993, foreign exchange losses in Bank Negara's accounts would have been up to M$3bn greater.

Analysts say Bank Negara forced the ringgit to fall by more than 5 per cent against a basket of currencies at the end of 1993 by selling large amounts of the Malaysian currency and buying in US dollars. The move improved the 1993 accounts by raising the value of foreign currency in Malaysian dollar terms.

However, it also tempted speculators, who felt that the ringgit was undervalued, to charge into extensive buying of the currency.

Over the last three months, Bank Negara has introduced a series of measures to try to force the speculators out of the market.

Bank Negara also announced a net operating loss for 1993 of M$712m, the first in the bank's history. The bank said the loss was mainly due to the "phenomenal cost" of mopping up excess liquidity in the market caused by the very large inflows of foreign funds attracted by Malaysia's strong economic fundamentals and its rapidly growing stock market.

The bank said inflationary pressures had been succesfully contained.

News of the foreign exchange losses and the resignation of the bank's governor has overshadowed the bank's upbeat message about the Malaysian economy. For the sixth successive year, the economy grew in 1993 by more than 8 per cent. The bank said 1994 "promises to be yet another good year." It added that Malaysia's real gross domestic product was likely to grow by 8 to 8.4 per cent.

Fines point to paranoia ahead

Kieran Cooke charts the aftermath of Singapore's secrets trial

Government officials in many countries would be delighted at a disclosure of economic growth running to more than 4 per cent – not so in Singapore.

In a case which has intrigued and alarmed Singapore's financial community, two business journalists and three local economists were found guilty this week of breaching Singapore's Official Secrets Act by having disclosed a 4.6 per cent growth figure for the second quarter of 1992 before it was officially released. The five were fined a total of S$21,000 (£9,000).

"Information in Singapore is already very tightly controlled," said a senior representative of a foreign securities house. "This verdict is bound to make analysts nervous over making any predictions about Singapore's economy. Paranoia is going to be the order of the day."

The saga that led to what became known as Singapore's secrets trial began on June 29 1992, when the Business Times, the island republic's leading financial daily, accurately forecast the preliminary second-quarter 4.6 per cent growth figure. It was officially released more than a month later.

After the paper's report had appeared, Singapore's Internal Security Department (ISD) swung into action. Officers raided the Business Times, seizing reporters' notebooks and files. The local offices of two financial securities houses also received visits by the ISD. Monetary officials, securities analysts, economists and journalists were questioned.

The government suspected a conspiracy. Mr Lee Kuan Yew, Singapore's elder statesman, hinted that certain "pressure groups" were trying to undermine the government.

In 1990, Mr Goh Chok Tong had succeeded Mr Lee as prime minister. Mr Goh had hinted he wanted to bring in a more liberal, consultative regime. Mr Lee said he doubted that the Business Times would have dared to use "illegally obtained or leaked official figures" if he were still prime minister.

The trial began in October last year. The accused – described by defence and prosecution as distinguished people who had excelled in their professions – were Mr Patrick Daniel, editor of the Business Times, Mr Kenneth James, a senior BT reporter, Mr Tharman Shanmugaratnam, director of the economics department at the Monetary Authority of Singapore (MAS), Singapore's *de facto* central bank, Mr Manu Bhaskaran and Mr Raymond Foo, both economists with Crosby Securities, the regional brokerage.

Mr Chan Sek Keong, Singapore's attorney-general, who headed the prosecution, said an important principle was at stake. "It is that persons who have been entrusted with classified information, of whatever nature, in their official duties, must keep it secret."

The prosecution said all five had colluded in disclosing the official preliminary growth estimate: the leak had begun with Mr Shanmugaratnam and ended in the BT article.

At times during the 42-day trial, prosecution and defence argued over whether or not the figure had been communicated inadvertently and, if so, whether this was an offence. At one stage, the prosecution case seemed in danger of collapse. with the judge ruling that there was no evidence to support the charge that Mr Shanmugaratnam had communicated the growth figure to the two brokers. However, the judge later suggested to the prosecution that the trial could go ahead on an amended charge against Mr Shanmugaratnam of having put classified information at risk.

The trial's outcome poses questions about press freedom and the handling of information in Singapore, particularly in relation to the country's declared aim of becoming a main global financial centre.

Singapore's Official Secrets Act lets the government classify almost any piece of unreleased information as secret.

The attorney-general had said during the trial that communicating classified information "unintentionally, recklessly or in any other way" constituted a crime. The defence argued that this gave the authorities *carte blanche* to prosecute anyone – from senior officials who had unintentionally released classified data to newspaper readers who saw such material. "If documents containing classified information are blown by the wind and land in someone's else's hand, this could be seen as a crime," said the defence.

Singapore's press is already tightly controlled and few doubt that the convictions will make journalists more nervous, particularly about investigating the workings of government.

Mr Daniel admitted during the trial that, by publishing the figure, he knew he could possibly be breaching the Act. But he said that most analysts at the time seemed to be over-estimating economic growth and so to publish only their figures would give the wrong impression. "I wanted to give a correct assessment of the economic performance up to June 1992," said Mr Daniel.

The Singapore government takes a very different view. "The government will not allow anyone to use the excuse of 'aggressive reporting' or the needs of 'the information age' to divulge classified information," said a senior official.

'This verdict is bound to make analysts nervous over making any predictions about Singapore's economy'

SUBORDINATE COURTS

CONTROVERSIAL CONVICTION: Business Times editor Patrick Daniel (centre left) leaves court in Singapore with his lawyers and his wife after he and others were fined in the island republic's secrets trial Reuter

Thailand reformers suffer setback

By Victor Mallet in Bangkok

Thailand's government suffered a humiliating defeat in parliament yesterday when right-wing opposition parties and the military-dominated senate threw out its plans to reform the constitution and make the political system more democratic.

The defeat raised questions about the ability of Mr Chuan Leekpai, the prime minister, to hold together his five-party coalition. The government was elected in 1992 with a mandate to strengthen democracy, after 50 people were killed in an uprising that overthrew a pro-military government.

Among those who voted against Mr Chuan's government, in a joint session of the lower house and senate, were Gen Wimol Wongwanich, army commander-in-chief, and Mr Vijit Sookmark, defence minister.

A government spokesman described the defeat as "a bad situation". Dealers on the Thai stock exchange marked down share prices for the third day running. The SET index fell 7.46 points yesterday to close at 1,232.53.

But Mr Chuan insisted that parliament would not be dissolved. "There have been attempts to topple my government by the group of people who want to return to power," he told reporters.

The senators, who were appointed by a military junta after a coup d'état in 1991, joined with opposition members of parliament to push through their own, hastily prepared, batch of constitutional amendments while blocking the government's version.

Senators were particularly incensed by the government's plan to make the senate more accountable and reduce the number of its members to 120 from 270. The government wanted – among its other, less controversial, amendments – to lower the national voting age from 20 to 18.

The counter-proposals drawn up by the opposition alliance are regarded by most Thais as a way to undermine the government rather than a serious attempt to reform the constitution.

Pro-democracy activists who joined the uprising against the armed forces in 1992 are now in confusion. They oppose attempts by the armed forces and their allies to increase their influence but are also frustrated by Mr Chuan's slow progress. He is accused, among other shortcomings, of failing to solve Bangkok's traffic problems.

During 1992, the Thai media divided Thai politicians into pro-democracy "angels", such as Mr Chuan, and pro-military "Satans". But Mr Sukhumbhand Paribatra, a prominent academic and political commentator, said after the government's defeat this week that parliament should be dissolved and new elections held. He remarked: "Now all MPs are Satans."

Fear of more violence overshadows fragile truce

Troops move into Natal

By Michael Holman in Durban and Patti Waldmeir in Johannesburg

South African troop reinforcements moved into Natal province yesterday to enforce a state of emergency, while rival parties in the province seemed to have declared an informal Good Friday truce.

Troop numbers were small, with only 150 soldiers arriving by yesterday and about 300 more due by tomorrow. But security force chiefs made clear that the South African Defence Force would take charge in the province, under the emergency declared on Thursday, and that the KwaZulu police, headed by Chief Mangosuthu Buthelezi as police minister, would take orders from the SADF.

This effectively deprives the chief of the police ministry and could be a first step towards deposing him as chief minister of the KwaZulu homeland, as which he has little real power.

So far, he has reacted with restraint, indicating he is prepared to co-operate with the military, no doubt calculating that he cannot gain by outright defiance. He may well be biding his time, confident that, without his consent, peaceful political campaigning would be impossible in Natal, military or no military.

Much will depend on the outcome of a meeting last night of the heads of the SADF, the South African Police and the KwaZulu police in the province, where the future role of the KwaZulu force was to be decided. Mr Nelson Mandela, leader of the African National Congress, said on Thursday the force would be confined to barracks, but there was no provision for this in the emergency regulations published yesterday.

These gave security forces powers to detain people without charge for up to 30 days, to use "necessary force" to keep order and to search people and premises without a warrant. The rules bar unauthorised military training, prohibit the display of weapons or potentially dangerous objects (including traditional Zulu spears and fighting sticks) and set strict conditions for marches and rallies.

On the first day of the emergency, similar to one declared under apartheid in the mid-1980s, police said only five people were killed. This is not an unusual number in a province where at least 300 people were killed last month, the highest one-month toll since the internecine conflict erupted in the early 1980s.

This Easter weekend, South Africa's roads are more dangerous than its townships. Nearly 50 people have already died in traffic accidents.

In Durban yesterday, however, few people seemd to believe the truce would last, or that the emergency would bring peace. Many fear instead a rise in violence.

N Korea rejects UN plea

By John Burton in Seoul

North Korea yesterday rejected a relatively mild statement by the UN Security Council urging it to accept international nuclear inspections.

Pyongyang instead insisted that the issue can only be resolved through direct negotiations with the US, as part of an attempt to win diplomatic recognition from Washington.

The US has refused to hold discussions with North Korea until it accepts full inspections by the International Atomic Energy Agency of its seven declared nuclear sites.

The UN on Thursday adopted the statement. It lacks the threat of sanctions that had been sought by the US if North Korea fails to comply.

The statement arose from a compromise to gain the support of China, which opposes sanctions. Beijing had suggested that it would veto a tougher resolution against North Korea.

Mr Han Sung-joo, South Korea foreign minister, welcomed the statement, saying it added "tremendous pressure" on North Korea to accept inspections. He suggested that China would support tougher actions if North Korea does not heed the UN demand, which also calls for the resumption of inter-Korean talks on mutual nuclear inspections.

India takes further steps to liberalise trade policy

By Stefan Wagstyl in New Delhi

India has announced further liberalisation of its trade policy, including the easing of rules on the import of second-hand capital goods and the removal of import bans on certain electronic components to help the assembly of finished goods in India.

Mr Pranab Mukherjee, commerce minister, announced the changes on Wednesday and Thursday. He hoped exports in the 1994-95 year, starting this month, would grow by more than the 21 per cent increase recorded in the first 11 months of 1993-94, the latest period for which figures are available.

The minister disclosed that exports in the 11 months to February soared to a record $19.8bn (£13.4bn), whereas imports grew much more slowly, by just 1.8 per cent to $20.3bn, leaving a trade deficit of a mere $500m.

Agricultural exports grew particularly fast, boosted by liberalisations of last March. The textiles and gems and jewellery industries also performed strongly, said Mr Mukherjee.

This week's liberalisation measures were less radical than expected. Ministers had discussed a limited lifting of India's long-standing ban on the import of most kinds of consumer goods.

But the government has backed away from this move, apparently out of concern that such a large gesture might fuel opposition campaigns against further liberalisation.

The ruling Congress (I) party has been under attack for having accepted the outcome of the Uruguay Round talks of the General Agreement on Tariffs and Trade.

In a parliamentary debate this week, opposition MPs accused the government of having caved in to pressure from developed countries which, they said, stood to gain more from the proposed agreement than does the developing world.

The measures announced include the removal of a maximum age for imported second-hand capital goods. The rules on duty-free export-processing zones are being relaxed to permit activities including trade repair and reconditioning, as well as manufacturing. This could, for example, enable Indian companies to establish workshops for repairing goods from abroad.

The list of banned import items is being pruned, though less heavily than last year. As well as certain electronic components, imports of samples for product development are to be allowed, as are imports of outboard motors for fishing vessels.

Schemes by which exporters can import components and other goods to be put into exports are to be simplified. The government is establishing a new category of "super star trading houses" – companies whose exports are so large that they will qualify for further exemptions from the rules.

The new measures are incorporated into the government's five-year trade policy plan for 1992-97.

Despite all the liberalisation of the last three years, this still runs to two volumes and 1,182 pages in all.

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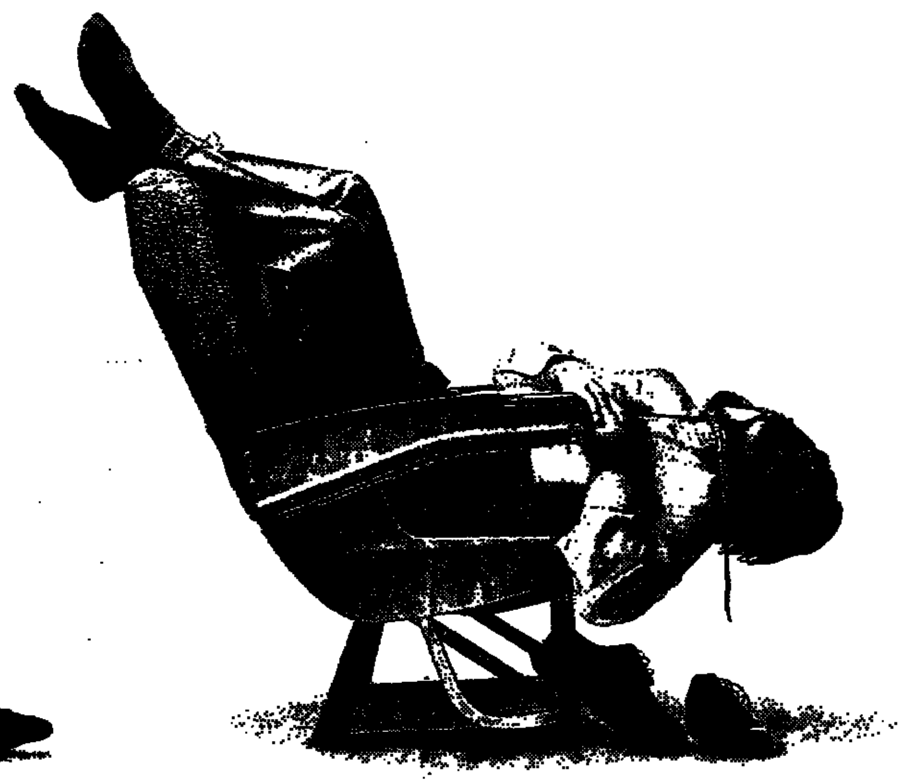

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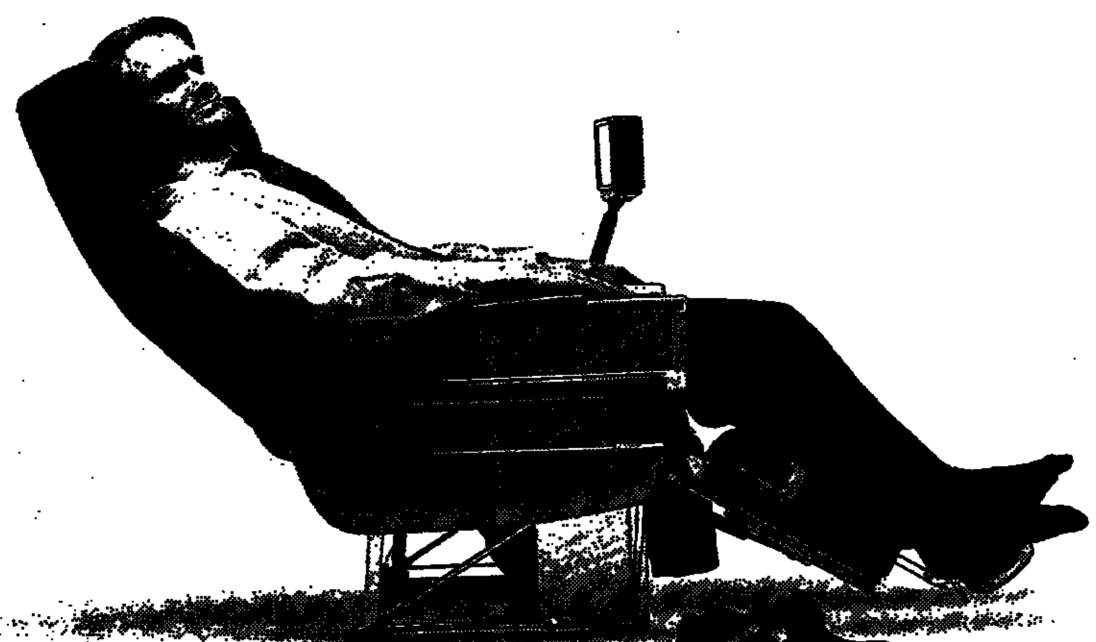

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Amnesty urged for 'black' economy

By John Willman, Public Policy Editor

The so-called "black" economy companies should be offered an amnesty on their undeclared business for agreeing to join a legitimate new sector, the Adam Smith Institute is to propose next week.

The sector would be the economic equivalent of a greenhouse – a sheltered part of the economy in which fledgling businesses could grow, according to the institute.

The think-tank, which pioneered Thatcherite policies in the 1980s, says it would operate like a portable enterprise zone, but applying the exemptions to an economic category instead of a geographical area.

In the same package the institute proposes the abolition of capital gains tax and inheritance tax.

The radical proposals are designed to demonstrate the continuing intellectual dominance of the right in policy thinking. The institute will urge a boost to the UK economy through measures to encourage small businesses and knowledge-based companies. "The aim should be to encourage inventiveness and innovation, not to try and keep it under control," says the institute.

Among the recommendations are large tax cuts for innovative small businesses and the lifting of regulations intended for larger concerns. The aim would be to make Britain an exploiter of ideas which other countries would pay royalties to use.

The proposals will come in a list of 100 targets the Conservative party's leading free-market campaigners believe the UK can achieve in the next 25 years. The institute will urge that the communications industry be singled out for special treatment. Inventors and companies with innovative products in telecommunications, television and information networks should be encouraged to make Britain a world leader.

The government should set a target for every home to have access to information and entertainment through alternative transmission systems, such as terrestrial broadcasting, cable and satellite, the institute recommends. Achieving this would mean relaxing regulation on companies to encourage expansion.

The institute will urge the government to continue cutting taxes and public expenditure over the next 25 years. It will propose a target of 10 per cent for the basic rate of tax and 20 per cent for the higher rate.

Public expenditure should be cut to 20 per cent of GDP by the year 2020, by further privatisation and cash controls on the public sector.

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Construction output is forecast to increase 1%

By Andrew Taylor, Construction Correspondent

Construction output, after declining for three consecutive years, is expected to rise by 1 per cent this year and by a further 2 per cent in 1995, one of the industry's forecasting bodies is expected to announce today.

Construction Forecasting and Research (CFR), which previously provided output estimates for the National Economic Development Office, says new construction orders rose by 12 per cent last year, the first annual increase since 1988.

It warns, however, that increases in output will be only modest and could easily be upset if private-sector investment fails to compensate for public-spending cuts announced in last November's Budget.

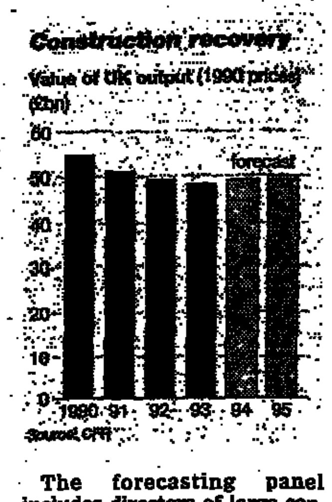
Sixty per cent of last year's increase in orders was generated by the public sector.

Mrs Jacquie Cannon, CFR director, said that there was little room for complacency even though the industry was beginning to climb out of recession.

"Continued recovery does depend on the private sector's ability to sustain the recovery as public-sector activity tails off," said Mrs Cannon.

Construction and building material companies have criticised the government for the slow pace in encouraging private investment in roads and other infrastructure which they say is essential to offset lower public investment in the mid and late 1990s.

CFR said that output in 1995 would still be 10 per cent below the 1990 peak. Competitive pressures resulting in companies taking on contracts with little or no margin for profit were unlikely to ease, with the industry expected to continue to suffer from over-capacity.



The forecasting panel includes directors of large construction and building material companies, institutional investors, trade associations and public bodies.

It expects private housing to be among the stronger performers during the next two years.

The number of new private homes started by builders is expected to rise from 143,000 last year to 160,000 this year, and 170,000 in 1996.

Social housing starts, mainly by housing associations, are expected to fall from 43,000 to 40,000 this year and 36,000 in 1995, reflecting the squeeze on public spending.

Construction of infrastructure after completion of the Channel tunnel is expected to fall by 12 per cent this year and by a further 6 per cent in 1995.

This is in spite of work beginning on London's Jubilee underground line extension.

Private industrial and commercial work, after declining steadily since 1990, are forecast to enjoy modest upturns this year of 8 per cent and 3 per cent respectively, and by 7 per cent and 4 per cent in 1995.

Repair and maintenance across all sectors is expected to rise by 1 per cent and 2.5 per cent over the next two years.

Channel tunnel passenger link faces delay

By Charles Batchelor, Transport Correspondent

The Channel tunnel will not be fully opened for passenger trains until at least September, four months after the official opening on May 6.

This will mean that the £10bn project will not be able to take full advantage of the peak summer season, deferring still further repayment of its debts. The ferry companies have leapt at the opportunity to boost their revenues by increasing sailings on cross-channel routes.

Eurotunnel, operator of the 32-mile link, said the opening had been delayed by hundreds of relatively minor problems, including difficulties with ventilation, control equipment and the rolling stock.

The company said yesterday that the September deadline did not represent a further delay, saying there had been confusion between the start date and the time when services reached full capacity. It still hoped to start a limited service to paying passengers very soon after the official opening.

Last month Mr André Bénard co-chairman of Eurotunnel, said the tunnel would start passenger services before the start of the summer season. He did not give a date for the introduction for a full service.

Mr John Noulton, the company's director of public affairs, said yesterday: "We will start passenger services as soon as possible after the official opening. They will build up during the summer and at the end of the summer will reach a full level of service."

In the face of continuing delays with passenger services, Eurotunnel is giving priority to starting its freight services, but even these may be delayed beyond the official opening.

Mr Noulton said the company had underestimated the time it would take to complete commissioning tests. He denied that the banks had imposed any time limits on the testing programme or that there was any fundamental problem.

He said: "There are thousands of trivial problems but they were the expected difficulties. The main one was the availability of locomotives. We couldn't do all the tests or complete the training."

Freight and passengers trains have been running through the tunnel regularly in recent months as part of the testing.

A planned rights issue to raise a further £500m plus a similar amount of debt is still due to go ahead before June. Eurotunnel's interim results will be announced on April 21.

A limited edition of 850 prints – signed by Eurotunnel chairman Sir Alastair Morton – of the Le Shuttle painting by Terence Cuneo (above), the celebrated railway artist, will be on board the first passenger shuttle through the tunnel *Photograph: Tony Andrews*

Scottish terminal nears completion

By James Buxton, Scottish Correspondent

Scotland's Eurocentral freight terminal for the Channel tunnel is virtually complete at Mossend in Lanarkshire.

When the tunnel opens one freight train a day will leave Mossend with Scottish exports. It will be split up and mixed with trains from other terminals across the UK, to form new trains destined for continental Europe.

The Mossend terminal, which is near the M8 motorway and the enterprise zone that has been created to help Lanarkshire recover from the disappearance of its steel industry, has received a strong level of inquiries from prospective users.

Personal-computer manufacturers and whisky companies are expected to use it for continental shipments.

The terminal is about 400 miles from the Channel tunnel, the distance at which rail freight is thought to become economic compared with road. This advantage increases the further the trains penetrate into continental Europe.

The terminal has been built by the Lanarkshire Development Agency – the local enterprise company – at a cost of £8.6m.

It will be handed over to Railfreight Distribution, which will operate it.

The terminal consists of four sidings running alongside a large tarmac expanse where containers will be moved from trailers to trains by mobile-lift equipment. The containers will pass through the administration block and under a gantry for a security inspection before Customs clearance. The site is surrounded by a high security fence.

Ford to lift Dagenham production

By Kevin Done, Motor Industry Correspondent

Ford, the US carmaker, is increasing production at its assembly plant at Dagenham, Essex, in response to stronger demand in the UK new car market.

The plant, which was a byword for poor labour relations at the end of the 1980s, has also achieved a big improvement in productivity and quality, according to Ford.

The group is raising Fiesta car output at Dagenham from 940 to 1,000 cars a day from May or June. It has a capacity to produce 1,240 vehicles a day, but output fell as low as 740 a day at the bottom of the recession in late 1992.

A month ago Ford announced that it was increasing production at its plants at Halewood on Merseyside and at Southampton.

Mr Jacques Nasser, chairman of Ford of Europe, said the Dagenham plant, which also produces the Courier light-van ranges, had reduced the time taken to build a car (measured in hours per car) by 45 per cent between 1989 and 1993. During the same period the cost of manufacturing Fiestas there had fallen by 23 per cent.

Ford's UK vehicle assembly plants at Dagenham, Halewood, and Southampton were now performing marginally better than its assembly plants in Germany in terms of total costs, having closed the damaging competitive gap that existed at the end of the 1980s.

Mr Nasser said the Dagenham plant had "made huge improvements in productivity and cost effectiveness, and has become a competitive manufacturer of top quality products". The turnround in its fortunes has been dramatic and follows warnings by Ford in 1990 that its survival was in doubt.

In 1990-91 the group launched a recovery plan to improve quality and productivity. The strategy included simplifying the Dagenham operation by transferring all Sierra production to Belgium, thereby reducing the UK plant to a single model line.

Tory backs call to return shipyard to public sector

By Ian Hamilton Fazey, Northern Correspondent

Local leaders on Merseyside of the three main political parties are to press the government to take the Cammell Laird shipyard in Birkenhead into public ownership.

They want Merseyside Development Corporation, a government agency, to use a compulsory purchase order.

The move follows the failure of CSN, the ship repairer trying to buy part of the yard, to conclude a deal by last Thursday. That deadline was imposed by VSEL, the Barrow submarine builder which owns Cammell Laird.

Contributory factors were worries about immunity from future compulsory purchase and availability of a £2m government grant to help clean the site. However, Mr John Hale, Tory group leader on Wirral Borough Council, puts most blame on VSEL.

Mr Hale, who is also a member of Merseyside Development Corporation's board, said VSEL had insisted that CSN also buy Cammell Laird's construction hall when it wanted only its three dry docks and wet basin. VSEL's asking price has not been disclosed, but he said it was a "grossly exaggerated price".

What has incensed Mr Hale – and Mr David Jackson and Mr Philip Gilchrist, Wirral's Labour and Liberal Democrat leaders respectively – is that the government sold Cammell Laird to VSEL in 1987 for £1 provided it took over environmental liabilities. The leaders say at least £2m of environmental work is needed. It includes repairing river defences, clearing dereliction, digging out contaminated ground and demolishing old buildings.

"We want Cammell Laird out of VSEL's hands; we do not believe they really want anyone to buy it," Mr Jackson said. Successful development of ship repair there might challenge VSEL as it tries to diversify from defence markets.

VSEL refused to comment, but said meetings with interested parties were being arranged for the week beginning April 11. The development corporation will meet the following week to consider making a compulsory purchase order.

Workers' anxiety about jobs reduced

By Lisa Wood, Labour Staff

Full-time and part-time workers were equally anxious in March about losing their jobs, the latest MORI/IRS survey for the Financial Times shows.

Forty six per cent of full-time and part-time workers were either very or fairly concerned about losing their jobs in the next 12 months.

The trend since the monthly series started last April has been for full-time workers to be more anxious than part-time workers. Last month, however, anxiety fell slightly among full-time workers and rose among part-timers.

Workers as a whole expressed more optimism about their job prospects.

Manual workers continue to be the most pessimistic although the percentage of professional and senior managers who feel concern has climbed steadily.

Pessimism about job prospects increased consistently until July, since when there has been a high degree of volatility.

Mr David Martin, editorial director of IRS, the independent research organisation, said: "Unemployment appears to be coming down, even though a number of the jobs that are being created are part-time. However, at the same time people hear from day to day of large-scale redundancies. This may explain the volatility in terms of perceptions about job prospects."

Binder partners in Scotland oppose Andersen merger

By Andrew Jack

The Scottish partnership in BDO Binder Hamlyn, the UK's eighth-largest accountancy firm, is set to vote against a proposed merger with Arthur Andersen, the fourth-largest.

Mr Ian Valentine, managing partner for the firm in Scotland, said: "As things are, we will not go ahead. We are unable to see any strategic basis. We have a different client base, culture and fee level. It just doesn't add up."

He said that he spoke on behalf of the region's 18 partners, and added: "I am reasonably confident that we will not be the only region in the BDO network taking this view."

There are 11 regional partnerships that make up Binder, of which four appear to have come out firmly in favour of merger. The partners are expected to vote on formal proposals in the next few days.

Andersen has said that it would be willing to proceed with the merger even if it was just with the single partnership covering London and Leeds, which represents more than half of fee income.

The Scottish firm has one quoted client, Prestwick Holdings, and provides services to the subsidiaries of English-based clients.

It is believed to have received a number of approaches from other medium-size accountancy firms, and may decide to switch allegiance if the merger with Andersen goes ahead.

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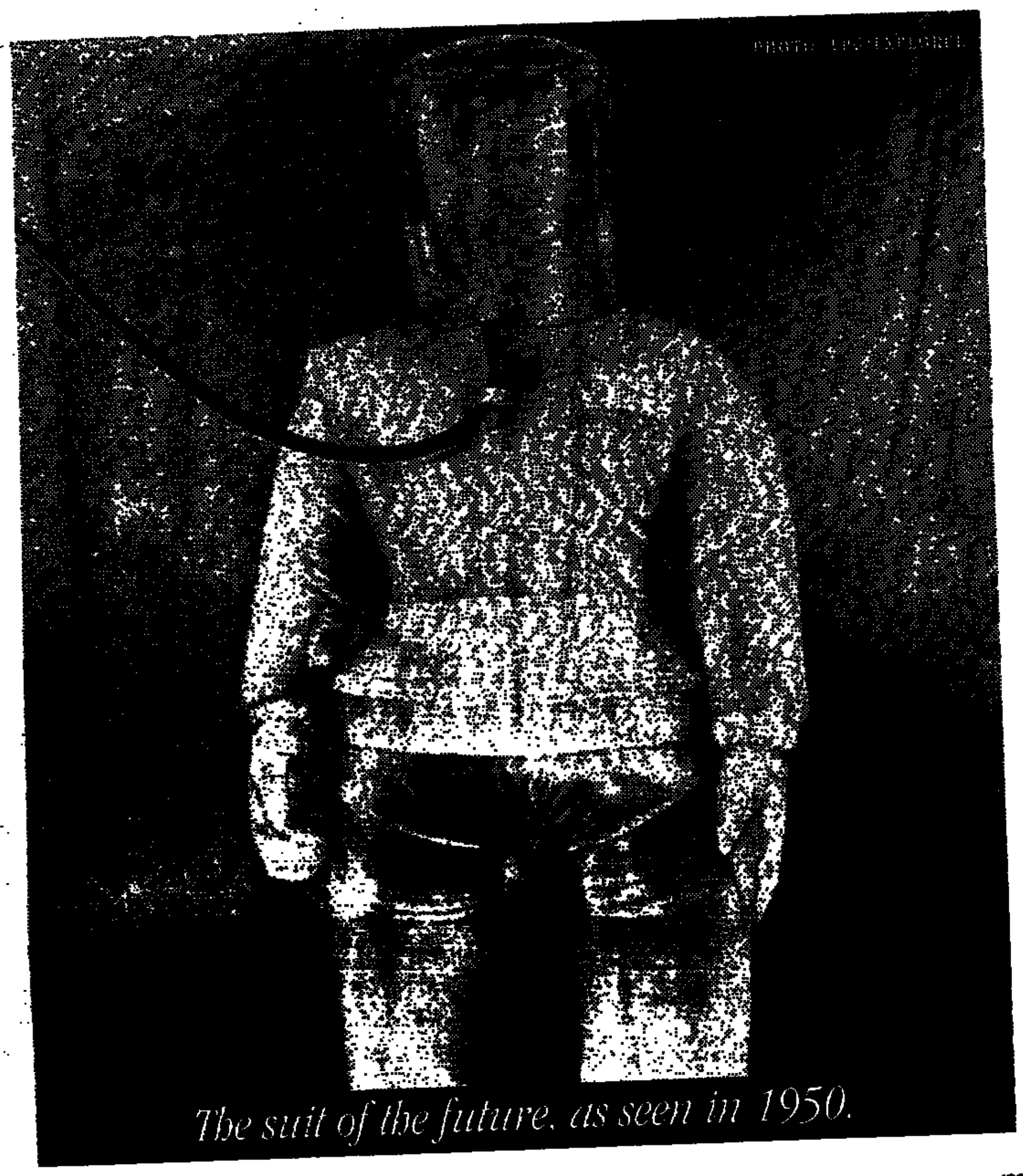

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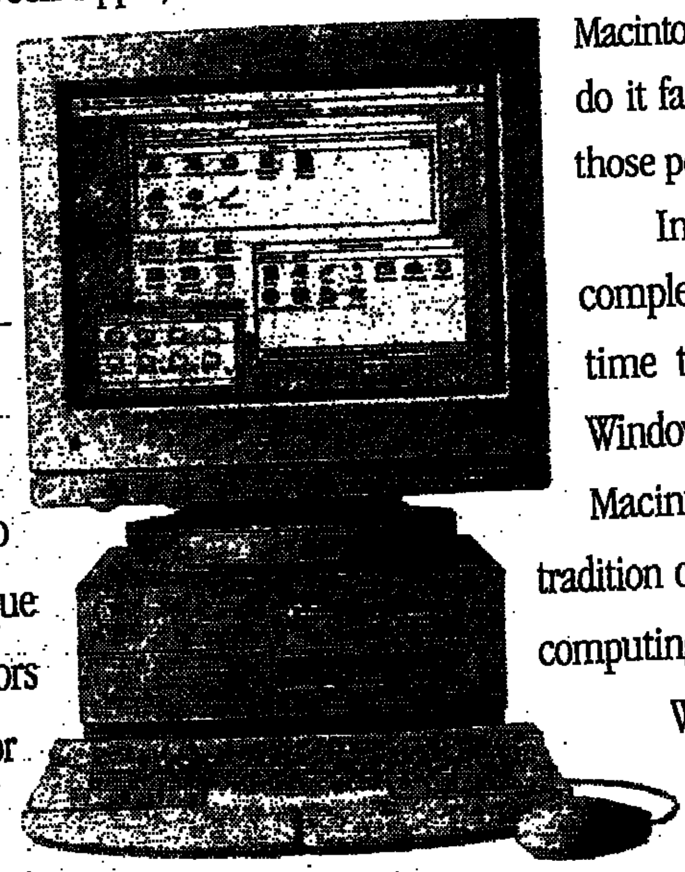

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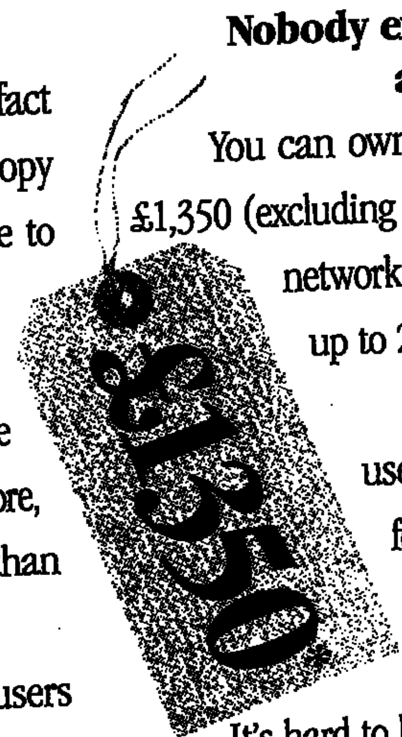

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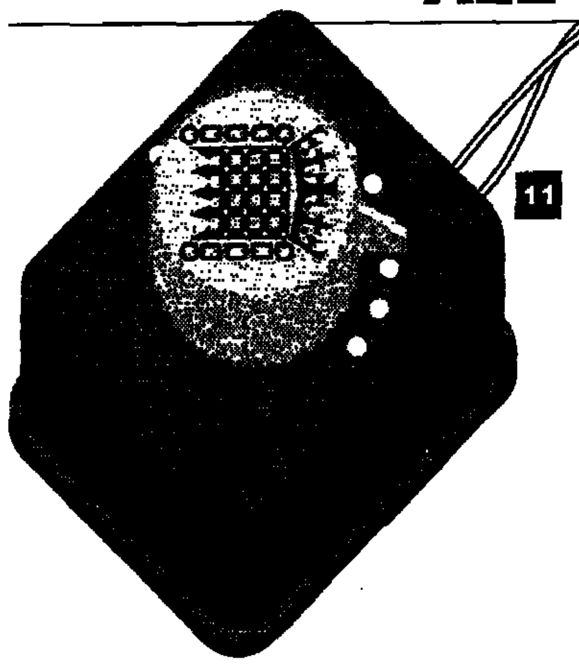
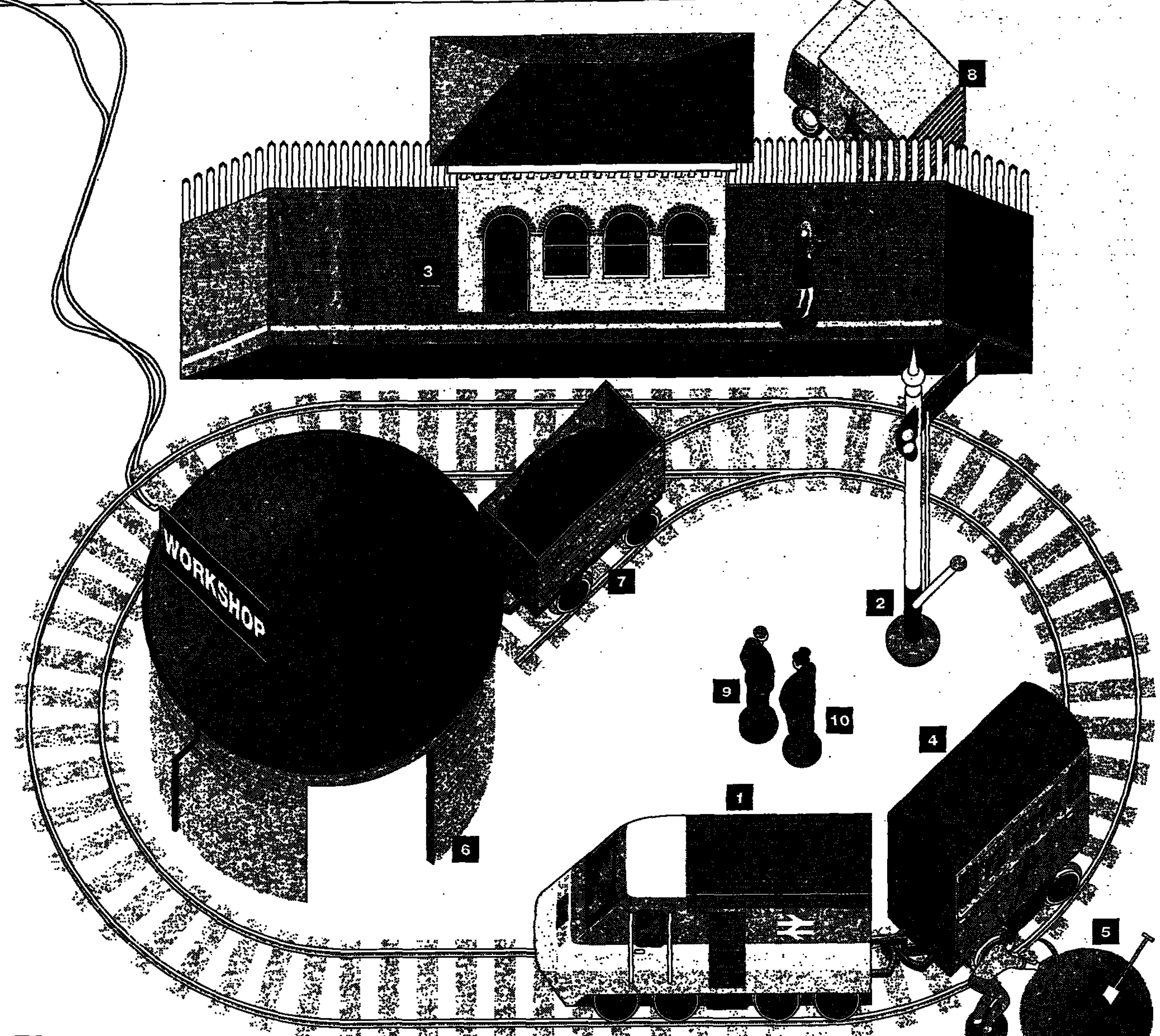




Is this any way to run a railway?

Q. Will I notice any difference under the new regime which came into force on April 1?

A. Not at first. Railway managers are determined that passengers do not notice any immediate changes. Timetables will be the same, train liveries *will not be altered and level of* service – good, bad or indifferent – should be unchanged.

Q. So what is the point of privatisation?

A. The aim is that over the next two to three years the old BR divisions are transformed into limited companies, still owned by BR, and finally franchised out to private bidders or management buy-out teams. As this process builds up, you will start to see new company logos and changes to timetables. If more enterprising management teams have their way, you should start to receive an improved service *and new marketing initiatives* to encourage more people to travel by rail.

Q. Won't this push up ticket prices?

A. Critics believe so, but railway managers say competition from the private car, coaches and airlines means they have very little leeway to raise fares. It would also make good economic sense for train operators to fill empty seats outside the rush hour, so expect new *discount fares for off-peak lei*sure travel. One company, South West Rail, is even thinking of free travel to reintroduce people to the pleasures of rail. The regulator is there to see that companies with effective monopolies do not misuse their power. But the system is untested, so the honest answer is that nobody knows.

Q. How will the railway be able to operate efficiently in future with so many different parties involved? *It all sounds* very complicated.

A. It is, but no more so than the system you are accustomed to when travelling by air. Airlines do not own airports, frequently lease their aircraft and often out contract maintenance. The government believes benefits of introducing competition will outweigh the "transaction" costs. Critics don't agree. Once the system beds down, it probably will be *accepted as quite normal.*

Q. Does the new system mean the government will no longer need to subsidise the railway?

A. *Far from it. Subsidies will* continue to most of the 25 train operating companies. In fact, the government's desire for "transparency," identifying which parts of the rail network need which level of subsidy, has doubled the sums involved. The train operating companies are now being charged the full rate for use of track, signalling and rolling stock. Under BR, some of these costs were not fully accounted for.

Q. What is the purpose of this?

A. It allows the government to identify the most costly lines and question whether fur*ther subsidy can be justified.*

Q. So it can close them down and nobody will complain?

A. Ultimately, yes. But do not underestimate public support for particular lines. The government has said it does not envisage shutting down parts of the network in the foreseeable future. In the early stages at least, train operators will be required to maintain existing service levels.

Q. Will the railway be safe with *all* those newcomers *trying* to run trains?

A. All the train operating companies as well as Railtrack must prove to the safety authority, the Railways Inspectorate which is part of the Health and Safety Executive, that their systems are safe. Many of the new companies will be run by people with a railway background while operating staff will be drawn from the old British Rail and *will have to meet established* training and safety standards.

Q. Who draws up the timetables under the new regime?

A. *Operating companies will make their own timetable pro*posals with the aim of devising schedules which attract the most travellers. Overall responsibility for knitting them together lies with Railtrack.

Q. If competing companies all run trains through my local station who do I go to for timetable information and to buy my tickets?

A. The main company operating on any particular route will lease *the stations* from Railtrack. It will then be obliged to provide all the normal services for travellers, including providing unbiased *information on timetables and* tickets. The first practical example of this is the Gatwick Express, which is already running as a trial or "shadow" franchise between London and Victoria.

It says it will be scaling down its own promotional material at Gatwick and selling its own tickets and those of its two rivals, Thameslink and Network South Central, from the same ticket office. Just *how unbiased a service the* operators provide is still open to question, but competing companies will be watching each other closely and the rail regulator is there to intervene if necessary.

Q. If Grandma wants to come for the weekend she will cross the territory of three operating companies. Can she buy a through ticket or must she buy three separate ones?

A. This point is still unde*cided. The government has* said train operators must accept each other's full-fare and season tickets but this takes no account of discounted Saver, Supersaver and Apex tickets which represent 80 per cent of all tickets. The franchising director and the operating companies are still trying to devise a solution. If multiple tickets are needed this would almost certainly push up fares.

Q. The clock on the platform *at my station* has been broken for several months. Who is now responsible for fixing it?

A. The train operator who has the lease on your local sta*tion would be responsible for* minor repairs. Structural works, such as a new roof or rebuilding a platform, are the job of Railtrack.

Q. Will the new train companies be any better at collecting fares than BR and at putting staff on lonely stations? My local station is often unstaffed and I never seem to see a ticket collector.

A. BR claims to have cut back on fares avoidance by using mobile teams of inspectors and targeting particular lines at particular times of the day or week rather than staffing every ticket barrier. They claim their losses are less than the "shrinkage" suffered by retailers. BR also claims that staffing stations has no direct link to levels of crime. It is unlikely that the private train operators will put staff back on stations.

Q. What happens if I have a complaint?

A. You can complain to your local train operating company. If the problem is not its fault but results from, say, track or signalling, *it will be able to put* pressure on Railtrack or any other supplier. If you are not satisfied, you can also go to your regional Rail Users' Consultative Committee. The committees can investigate complaints and bring them to the attention of the rail regulator.

Charles Batchelor

1

Train operating companies
Passenger trains will be run by 25 train operating companies. These will ultimately be franchised to the private sector for periods expected to range from five to 20 years. They will employ train drivers, inspectors and ticket office staff. They will not own many assets, renting the track they use and leasing both their trains and stations. Some companies, such as Gatwick Express, will run a single line; others such as ScotRail will operate *a complete* network. Employees on April 1: 49,000.

2

Railtrack
Takes over responsibility for track, signalling and its stations. It will charge the passenger train operators depending on *how many* trains they run. It will maintain track, bridges and stations and co-ordinate the timetables of operating companies. Responsible for the safety of *the network under the eye of the Health and Safety Executive. Employees on April* 1: 12,000

3

Stations
Railtrack will own all of the nearly 2,500 stations but will lease most to train operating companies. They will take over routine maintenance such as fixing the station clock but Railtrack will remain responsible for structural repairs. About 13 of the larger stations, including Birmingham New Street, London Kings Cross and Manchester Piccadilly, where there are greater development opportunities, will be let on long leases to private companies, probably property developers. Whoever acquired the lease would let the retail outlets and provide *day-to-day maintenance.*

4

Rolling stock leasing companies
Three rolling stock leasing companies will take over ownership of 11,000 locomotives, carriages and freight wagons. They will lease them out to the companies operating passenger and freight services. At first they will only have second-hand BR rolling stock but as train operating companies renew their fleets they are expected to order new rolling *stock. The rolling stock companies will* ultimately be privatised, probably by sale to existing leasing companies or financial institutions. Employees on April 1: 150.

5

Infrastructure companies
Railtrack will contract out maintenance of track and signalling to 14 infrastructure service units. These are the men you see alongside the track in bright orange safety jackets. They carry out "heavy" work, such as renewing sections of track and putting in new ballast under the sleepers, and the lighter work of *maintaining signalling and electrification* equipment. Employees on April 1: 33,500

6

Maintenance
Light maintenance, such as repairing train interiors and *renewing* damaged wheels, will be carried out in workshops run by the operating companies but leased from Railtrack. Major overhauls of locomotives will be carried out by one of six heavy maintenance depots. They are up for sale with bids expected from rolling stock *manufacturers such as GEC Alsthom and* ABB Transportation. Employees on April 1: 3,500

7

Freight
Three new regional companies take over responsibility for heavy freight operations, involving complete trainloads of bulk products such as coal, steel and building aggregates. The domestic container business, Freightliner, which moves container wagons from seaports to inland terminals will be sold off as a single unit. Haulmark, the international container arm, will also be sold. All freight operators will pay Railtrack for the use of its track and signalling. Employees on April 1: 13,100

8

Parcels
Red Star Parcels, the express parcels business, and Rail Express Systems, which carry the *Post Office's mail,* will be sold as soon as possible. Employees on April 1: 1,800

9

The franchising director
Mr Roger Salmon, a former merchant banker, is to arrange the sale of railway *franchises. He will negotiate with* potential franchisees including *management buy-out teams or outside* buyers such as bus companies, airlines and shipping groups. He will decide, depending on the bids he receives, *the* length and cost of the franchise. He also takes on responsibility for channelling any government subsidy to the operating companies.

10

The rail regulator
Mr John Swift QC has the twin roles of promoting competition and protecting consumer interests. Encouraging greater competition will tend to bring fares down *and could bring him into conflict with the* franchise director, who wants to charge as much as possible for each franchise. If a train operator has a monopoly in a particular market, commuter trains into *London, for example, the regulator may* impose maximum fare levels. He must also approve agreements between Railtrack and the train operators.

11

Government
The transport secretary remains in charge *of overall railway policy, negotiates with* Treasury about subsidies and has *the final* say over the building of new lines or the closure of existing ones. He also appoints the franchising director, rail regulator and the chairman of Railtrack. The Treasury will decide on the level of subsidy.

Want to move from a miniature railway to the real thing? **Charles Batchelor** explains what you will pay

The 'train set' costs £10m, for starters

The closest most rail enthusiasts get to running a railway is a miniature lay-out in the attic or the garage. A small minority achieves the greater reality of operating one of Britain's growing number of preserved steam railways.

The privatisation of British Rail provides the opportunity for the real enthusiast to run his or her own proper railway. Most of the private rail companies are expected to be run by management buy-out teams or companies already in other fields of transport but there should be opportunities for smaller operators to run trains under "open access" agreements. These are intended to increase competition. But how affordable would it be to own and run a modern day railway train?

Take one of the stalwarts of BR's fleet, its Intercity 125 *High Speed Trains. These are* diesel-powered trains which run on lines such as London Paddington to Wales and the West Country route. Now 18 years in service, after initial problems these trains are now running better and more reliably than ever, according to Mr John Cronin, BR's area fleet manager in Bristol.

A complete train set – railway jargon for a locomotive and coaches – would set you back £10m new – about £3m for the twin locos, one at the front, another at the back, and eight coaches at about £750,000 each.

But buying a new train is not as simple as acquiring a new car. They are built to order and then only in production runs which make manufacturing economic. British railway manufacturing has been dogged by relatively short-run orders which do not allow for the continuous modification and improvement of successful designs, Mr Cronin says.

The High Speed Trains are powered by a marine engine, chosen because it was relatively light, thus causing less wear and tear on the track. But marine engines are designed to run for long periods at the *same speed, unlike trains* which accelerate and decelerate rapidly, so modifications had to be made in the first few years.

It is more likely that you will lease second-hand BR rolling stock. Comparisons with cars are difficult because leasing rates depend on mileage and depreciation usually over two to three years while a typical train set will last for 30 years or more. In addition the Treasury has still to agree the details of the leasing regime with the train operating companies. So leave the leasing costs out of your calculations for the moment.

Before you can take a car on on the road you need to pay to road tax, or in the case of a train, your access charge to Railtrack, which took over BR's track and signalling on April 1. Track charges vary but the Great Western Railway is expected to pay £120m a year. Spread that over its 36 high speed trains and you are paying £3.3m for each one.

Fuel costs are major charge to the motorist and the HSTs have a 1,100 gallon tank in each power unit. A large tank is needed because each train set only *does half a mile to the gallon.* Great Western declines to reveal what it pays for its diesel, but at the average rate charged to the private motorist a tankfull will cost you just over £2,500.

Maintenance, inevitably, is costly. You can expect your locomotives to go in for a major overhaul every 2½ to three years at a cost of £180,000 including £120,000 for the diesel engines.

The two-yearly overhaul of your carriages, mainly replacing the bogies – sets of twin axles – will cost another £100,000.

But you will also be replacing the standard components which wear out on any vehicle at regular smaller services. Brake pads will cost you £62 a pair plus labour to replace. *This may not appear a major* item but your train set will have 160 wheels. Great Western reckons to replace nearly 26,000 brake pads a year on its *fleet of 36 high* speed trains.

You might think that a vehicle with metal wheels would be spared the inconvenience of punctures, but train wheels do suffer "flats". These result when a train skids, a common occurence when leaves fall on the line. This *flattens a small section of the* wheel causing a bumpy ride.

The introduction of an anti-skid mechanism on the trains, akin to the anti-brake locking systems on cars, has cut the incidence of "flats" but they do still occur. Regrinding wheels will cost you £200 a time.

Few motorists respray their cars completely, but trains require a regular repaint – by hand because the large number of windows make spraying uneconomic – to retain their looks. Expect to shell out £2,000 to £3,000 per coach once every four years and £4,000 for a locomotive or power car.

Keeping your paintwork looking smart between resprays is also costly. Reckon on £250 and 1,000 gallons of water each time you stop off at the trainwash.

You might think that the opportunity for minor "shunts" with a vehicle which runs on a fixed line would be very small. But collisions with animals, suicides and debris on the line are not uncommon. Apart from a dent in the bonnet you are likely to suffer considerable damage to the pipework and other bits of machinery under the train. Set aside £5,000 to £10,000 for a "nose end" replacement.

Insurance is another major item for the car driver though you can reduce the charges by accepting a larger "excess." At present BR has catastrophe insurance which starts at £15m, meeting its own costs for claims below that level. You *would have to shop around for* insurance for your train since this is not an established sector. The private companies considering taking over BR's operations are apparently working on catastrophe insurance starting at £5m.

With the proper training you should be able to drive your own train, but if you go above 110 mph you must have a second driver. Drivers' basic rates start at £210 a week but the average earnings are more than £300 a week.

BR *calculates that the cost of* operating an Intercity train was £16 a mile in 1992-93. Compare this with the 45p per mile paid by the average private motorist and 18p to 20p per mile which Fleet Car magazine calculates for the typical business motorist driving a mid-sized car.

One consolation is that the government will help you to meet your bills. It has promised to maintain subsidies after privatisation – though the managers considering buy-outs wonder how long the Treasury will keep up its support.

Sailing has been described as the closest thing to standing in a cold shower tearing up £10 notes. Running a train is rather similar though the modern enclosed cabs will at least keep you dry.

Daly raps Major over IRA ceasefire

By Tim Coone and David Owen

Cardinal Cahal Daly yesterday took issue with Mr John Major over the IRA's 72-hour post-Easter ceasefire and appealed to the government to put the sincerity of republican leaders to the test.

"I believe the opportunity should not be passed by," Cardinal Daly said. "It should not be rubbished." Speaking less than 24 hours after the prime minister denounced the IRA's move as "self-serving and cynical", the Primate of all-Ireland said the ceasefire raised "significant hope", although it was "disappointingly short".

"I am afraid, respectfully, I would not agree that this is a cynical exercise on the part of the IRA," he added.

"The significance is that for the first time in 20 years they have initiated this cessation of violence. Why not test it?"

As the leaders of the three main opposition parties in the Irish republic issued a joint peace demand to the IRA, Archbishop Robin Eames, the Protestant Primate of the Church of Ireland, responded to the ceasefire in a more downbeat vein.

Although any cessation was to be welcomed, he said: "The real Christian agenda for Northern Ireland must be written by those who see that a complete end to violence . . . will give us the opportunity to plan the way forward in peace and justice."

Yesterday's developments came as the British and Irish governments reaffirmed that the ceasefire, starting at midnight on Tuesday, falls far short of the permanent cessation required to admit Sinn Féin, the IRA's political wing, into round-table talks. Sinn Féin has called for "immediate and direct talks" with the British government to obtain clarification of the Downing Street declaration signed by London and Dublin last December.

Dublin has expressed "extreme disappointment" with the IRA's response to the declaration, with Mr Albert Reynolds, the Irish prime minister, urging Sinn Féin to spell out what it means by its latest clarification demand.

A senior aide to Mr Reynolds said he would not seek to put pressure on Mr Major to open talks with Sinn Féin. He said that Dublin would keep communication open to Sinn Féin, and "would have no objection" if London did the same.

Underlining Dublin's growing exasperation with Sinn Féin, Mr Reynolds has departed for a week-long holiday in Cyprus.

Mr Gerry Adams, the Sinn Féin president, has said he "would not seek to protract" any talks with the British government and emphasised that Sinn Féin is not seeking negotiation, only clarification.

Sinn Féin is expected to further outline its position tomorrow when Mr Martin McGuinness, a member of the party's national executive, addresses a rally in Dublin commemorating the 1916 Easter rising.

Meanwhile, the Rev Ian Paisley, leader of the hardline Democratic Unionist party, said he planned to visit the US this month to "tell the truth" about Northern Ireland. Mr Paisley is to address the National Committee on American Foreign Policy, which caused controversy when it invited Mr Adams to New York.

NUT attacks other teaching unions in row over boycott

By John Authers

The largest teachers' union yesterday strongly attacked the two other classroom unions in the row over ending the boycott of national curriculum tests.

Mr Doug McAvoy, general secretary of the NUT, said at the union's annual conference in Scarborough that its executive was unanimous that its boycott of tests should continue for a second year and predicted that no delegates would oppose it.

In doing so he delivered a sharp rebuff to the government's hopes of setting its national curriculum policy back on course.

Mr McAvoy attacked the ATL and NASUWT unions, both of which have advised their members to stop the boycott. Baroness Blatch, the education minister, will address both their conferences later next week.

He said: "Speakers will urge other teacher organisations to review their position on the boycott. There's a desire on the part of the other two organisations to snuggle up, if not to Baroness Blatch, then to the Conservative government."

The NUT, traditionally the most leftwing teachers' union, will consider motions to boycott the government's plans for school-based teacher training, and to consider strike action over pay, growing class sizes and redundancies. Mr McAvoy indicated that the union would oppose national tests for 11-year-olds which are due to be introduced next year, saying they would be used to select pupils for secondary schools.

His views are unlikely to sway the other two unions, although the NUT takes heart from the policy of head teachers' organisations not to ask any other teachers to do work boycotted by the NUT.

Strategists for the other unions fear that if the boycott continues the government could force them to do the tests next year, through the annual pay and conditions settlement. They believe this would not require new legislation.

The NASUWT, which meets in Blackpool from Monday, will be visited by a government minister for the first time in eight years. Mr Nigel de Gruchy, its general secretary, predicts that Baroness Blatch will receive a courteous reception.

Mr Peter Smith, ATL general secretary, said his union would also favour abandoning the boycott. He acknowledged, however, that some delegates would oppose his decision not to hold a ballot on the issue.

ATL members can still legally boycott the tests if they claim this creates too much workload. Last year's ballot in favour of a boycott still protects them.

Fraud at British Council attacked

By Kevin Brown, Political Correspondent

The British Council, the government-funded body that promotes UK cultural interests overseas, has been strongly criticised by a Commons committee over lax accounting procedures which led to a fraud costing nearly £600,000.

The cross-party Public Accounts Committee said that the fraud was one of the biggest it had investigated, and warned that there was a risk it could happen again.

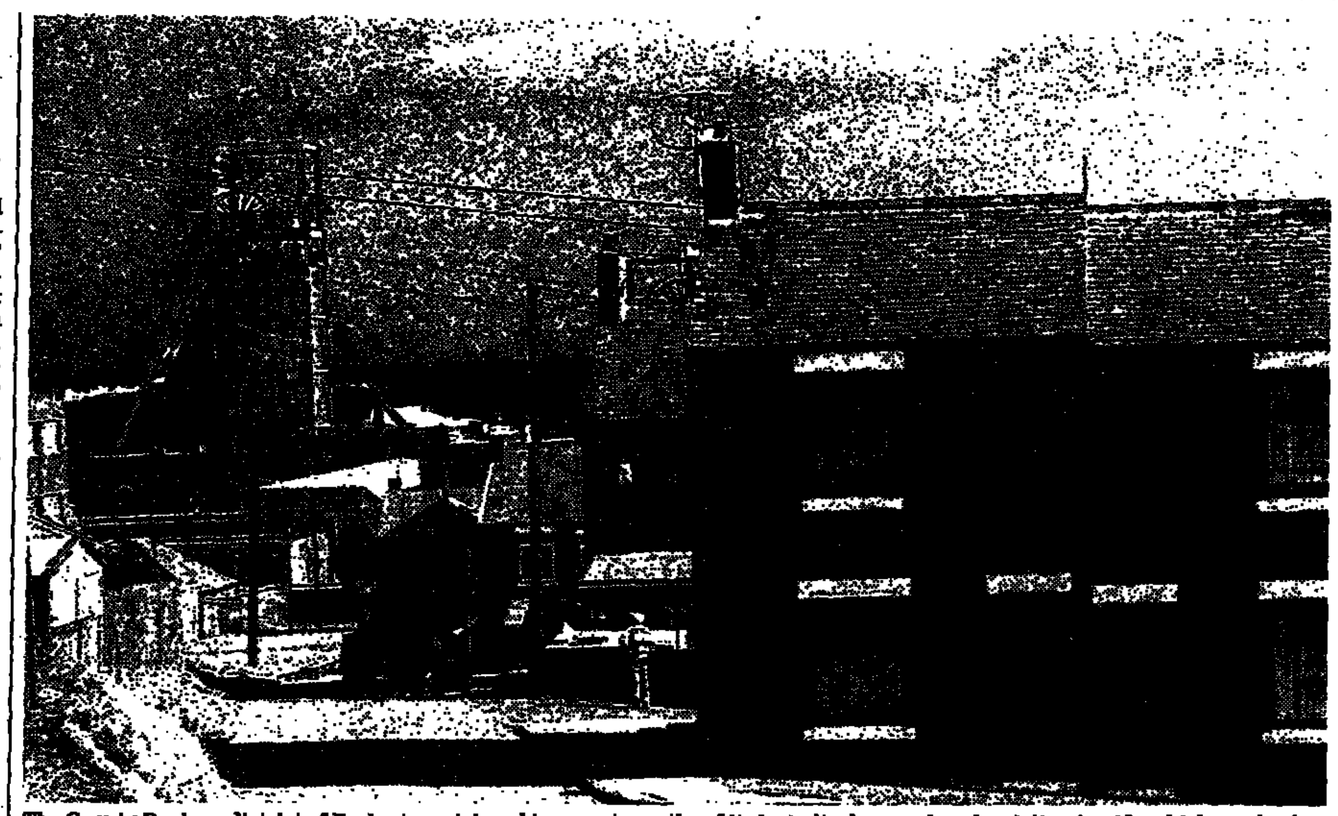
The committee said in a report to parliament that the council paid £520,072 by electronic transfer into the overseas bank accounts of bogus suppliers in December 1992.

Other irregularities, including fraud involving travel and subsistence claims, brought the total losses identified in 1992-93 to £589,000.

The report said a police investigation had indicated that the main fraud was executed by "a criminal team" operating with inside information on the council's payment system. Four people had been arrested, but only £19,751 had been recovered. Police inquiries had failed to establish the source of the leak of information on the payments system.

The committee said it was "astonished" that the council's banking section did not check payment vouchers, documentation and signatures before paying suppliers. It said the council had changed its procedures to prevent further frauds, but it was "worrying" that the source of the gang's information had not been identified.

It said: "There is a risk of a further leakage of sensitive information. We emphasise the need for the council's changed and strengthened financial processes to be proof against any further irregularities."



The County Durham district of Easington, stripped in recent months of its last pits, has produced a visitors' guide which emphasises scenery and leisure amenities. It says it hopes to attract visitors to its rural calm, rugged coast and friendly people *Photograph: North News*

Insurer's cash warning for low-start endowments

By Richard Lapper

One of the UK's largest insurance companies has warned customers that they may [illegible] increase the amount they pay into endowment policies in order to pay off their mortgages.

Royal Life, the life insurance arm of Royal Insurance, has written to about 24,000 of its 500,000 policyholders, triggering fears that other companies may follow suit.

The warning follows cuts in the reversionary – or annual – bonus which Royal has paid on its "with profits" endowments in the last two years.

The policyholders affected are those who bought so-called "low start" 22 to 30-year policies in 1991 and 1992. Premiums are set at a low rate during the early years of the policy.

Royal stressed yesterday that customers need take no action this year. But if bonuses remained at current levels modest additional premiums would be necessary.

Mr Icki Iqbal of Royal Life said that following falls in inflation and interest rates the company was taking a more pessimistic view about future investment returns.

Royal reduced its reversionary bonus from 3.75 per cent to 3.25 per cent – an amount which each year is charged on and added to the basic sum insured – in January last year.

This year a so-called "super reversionary bonus", which is calculated as a percentage of the reversionary bonus, was reduced from 5.5 per cent to 5 per cent.

MPs summon PIA again

By Alison Smith

The Commons committee examining financial regulation has summoned the chairman and chief executive of the Personal Investment Authority, the new watchdog to protect private investors, for a further session of questioning.

In a move that intensifies pressure on the regulator, which is already facing doubts about its future, the Treasury committee will take evidence from Mr Joe Palmer, PIA chairman, and Ms Colette Bowe, chief executive, at the end of this month.

Mr John Watts, the Conservative MP who chairs the committee, said the MPs wanted to go over with the PIA some of the points that had been raised by other witnesses questioned since the authority first gave evidence early in March.

At the initial session the authority faced scepticism from MPs over its plans for the admissions process and for its ability to monitor its members.

Some committee members were dissatisfied with the authority's responses, but want to give it a chance to sound more convincing.

Heseltine defends tax on power

Gas and electricity prices "are coming down and will continue to come down", Mr Michael Heseltine, trade and industry secretary, said yesterday, Ivor Owen writes.

Mr Heseltine decided that as head of the department he, rather than Mr Tim Eggar, the energy minister, should take the lead role in trying to limit the political damage caused by the imposition of 8 per cent value added tax on domestic fuel which took effect yesterday.

Mr Heseltine accused opposition parties of spreading "scare stories" about energy prices. He said that since 1986, when the gas industry was privatised, domestic gas prices had fallen by 23 per cent in real terms. Domestic electricity prices had fallen 6 per cent in real terms in the past two financial years.

Coal-fired power stations to close

National Power is closing three to five coal-fired power stations in the next 12 months the loss of 270 to 410 jobs and mothballing three oil-fired generating units immediately.

It is closing Rugeley A, in Staffordshire, Skelton Grange, in Leeds, and Willington A, near Derby from September 30. It expects to close Aberthaw A, south Glamorgan, and Uskmouth, Gwent, at the end of March next year. It has mothballed one oil-fired unit at each of Fawley, Southampton, Littlebrook, Kent, and Pembroke, Dyfed.

● British Coal is to stop maintaining Wearmouth pit after two companies withdrew tenders to resume production there. The pit was closed last year.

Move for Sizewell public inquiry

County councillors are set to force a public inquiry over plans for a Sizewell C nuclear power station in Suffolk.

They are being advised by Mr Edwin Barritt, the county planning officer to lodge a formal objection to the £3.5bn development proposed by Nuclear Electric, the state-owned generator. An objection by either the county council or Suffolk Coastal District Council will force a public inquiry.

CD pricing report

The Monopolies and Mergers Commission has been given until April 14 to report its findings on the pricing of compact discs, the Department of Trade and Industry said. The commission was due to report by last Thursday.

Fuel groups 'recycle' VAT bonus

By Robert Corzine and Michael Smith

Banks and building societies that have the regional electricity companies and British Gas as customers will be among the main beneficiaries from the rush to meet the March 31 value added tax deadline. More than 1m householders met the deadline for making advance payments to avoid VAT on domestic fuel.

Most of the companies have decided to deposit the advance payments with banks and buildings societies, although they also mentioned money market funds as possible destinations. Manweb and Northern Electric were the only regional electricity companies to say they were still considering what to do with the extra cash.

There have been suggestions that the advance payments could total as much as £1bn. This will not be known until next week because of the holiday weekend.

The companies have collected more than £663m from householders trying to avoid VAT, which was imposed at a rate of 8 per cent from yesterday, rising to 17.5 per cent in April next year. The £663m figure does not take into account the final rush as Thursday's deadline approached.

British Gas reported by noon on Thursday that 2 per cent to 3 per cent of its 18m domestic customers had made advance payments totalling £230m. Full returns from its national network of gas showrooms will not be available until next week, however.

If the intentions to favour banks and building societies materialise, it will mean that much of the money will be "recycled".

Most consumers withdrew funds from banks or building societies to make the advance payments, which they hope will give them an effective yield greater than the relatively low rates on offer for savings.

Seeboard noted that its decision to deposit in building societies the £64m it received from 115,000 customers by Wednesday night meant that it was "effectively returning" the capital.

Most electricity companies say the extra interest earned will be used to cover the administrative and data processing expenses associated with the imposition of VAT.

Scottish Power will donate the extra interest it receives to groups "who have been disadvantaged by the introduction of VAT on fuel".

Midlands Electricity is to donate £500,000 to Neighbourhood Energy Action to fund energy-efficiency projects for low-income households in its area.

Sports clubs are due rebates of as much as £40m after the government yesterday amended value added tax regulations to bring them into line with European Union guidelines.

The new regulations mean that playing-members' subscriptions to non-profit sports clubs will no longer attract VAT. The ruling is retrospective to 1990, so the government will have to reimburse the clubs for the more than £40m they have paid in VAT on such subscriptions during the past four years.

VAT will continue to be levied on social memberships to sports clubs.

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Saturday April 2 1994

Back to go, painfully

Few at Christmas predicted that the world's financial markets would look as shaky as they now do at Easter. Yet there is at least one important respect in which the unsettling behaviour of the markets gives grounds for hope. The successive squalls that have upset bond and equity prices, culminating in Wall Street's nervous slide this week, are partly a reflection of a healthier global economy. Bond markets always turn when the accelerating pace of economic activity starts draining liquidity from the system. Investment in inventory, plant and machinery then takes priority over the claims of portfolio investors.

This is certainly true of the US, where business investment is buoyant and the economy is set to grow this year at between 3 and 4 per cent. The UK is following at a more sedate pace. But part of the global bond market shakeout has been to do with the growing perception that growth is reaching hitherto stagnant parts of the world. Surveys of business confidence in continental Europe reveal unexpected signs of optimism and economists are upgrading their growth forecasts for 1994. Even in Japan, where real gross national product contracted marginally in 1993 and business investment continues to fall, there is a hint that an economy which seemed poised for serious deflation may now have bottomed out.

It looks at first sight like a return to normality after a lingering recession which was induced in large part by the lending excesses of the 1980s and by the strains of German unification. Yet to call this normality would be going too far, because the unusual financial conditions that prevailed in the recession continue to affect the behaviour of capital and credit.

We have lived through a period in which the US Federal Reserve has engaged in a gigantic and astonishingly successful exercise in rigging the markets in order to recapitalise an American banking system shattered by bad debts. This involved maintaining short-term interest rates at artificially low levels, which precipitated a tidal outflow of dollars from bank deposit accounts into mutual funds and other longer-term investments offering scope for higher returns.

Neutral stance

Since his decision to raise interest rates in February, Fed chairman Mr Alan Greenspan has indicated that it is time to return to a normal or 'neutral' monetary stance. Yet the consequences of his earlier policy make it difficult to return to normal without causing markets to slide. In effect Mr Greenspan has to keep two separate and very different constituencies happy. The first consists of sophisticated professional investors, many of whom believe that the Fed has been slow to respond to a build-up in inflationary pressure. After growth at an annualised rate of 7 per cent in the final quarter of last year a federal funds rate of 3¼ per cent looks tame. The average federal funds rate since 1979 has been 3¾ per cent – and that average includes periods of very tight policy.

Inflationary threat

Such investors would have been happier to see the Fed move swiftly to short-term rates of 4½ or 5 per cent, instead of moving from 3 to 3½ per cent in quarter point steps. Yet there are fears that less sophisticated investors in the mutual funds – the second constituency – might then panic if they discovered, in any resulting market fall, that stock market investment is not protected by deposit insurance schemes. Small wonder Mr Greenspan has pursued a gradualist course. Yet the consequence is that the professionals become more nervous. If the inflationary threat is real, short-term rates of 3½ per cent look low for this point in the cycle. Hence much of the recent market turbulence.

The problem for Europe is that the impact of an overshooting US bond market is benign when prices are moving up, but threatening when they are moving down. Monetary policy in continental Europe has been too tight over the past 18 months or so when US capital has spilled over into European capital markets. Yet that same outflow has helped offset the monetary squeeze by pushing European stock and bond markets higher. This enabled European governments to finance their growing fiscal deficits more cheaply, while helping companies rebuild strained balance sheets by raising capital.

Now the sharp fall in European bond markets is, in effect, tightening monetary policy through its impact on long-term interest rates, while short-term rates remain high in real terms. Yet the Bundesbank is reluctant to change monetary tack to offset the market induced tightening. This approach is understandable while the markets are still sorting themselves out. But if continued for too long it would kill off the European recovery. The resulting uncertainty is the opposite of a recipe for an immediate soft landing in the markets, especially against a background of unusual political weakness in Britain, Germany, France and Italy. Stand by for another squall.

Dragon with an eye on its futures

As China opens up to the world, Shanghai's financial markets are developing fast – perhaps too fast – says Tony Walker

Shanghai, in the spring of its economic transformation, appears to be confounding even the most determined optimists. Few predicted it would move quite so fast in re-establishing itself as a financial centre and magnet for foreign investment.

After an uncertain start in the 1980s Shanghai's almost passionate embrace of the marketplace is palpable. The opening on Monday of an interbank currency market is yet one more indication of the rapid steps being taken towards restoring the city's former financial status. Indications that the Shanghai Securities Exchange will soon allow foreign brokers unrestricted membership, thus freeing them from the obligation of trading through local counterparts, is another sign of progress towards realisation of the city's dream of becoming first a national and then an international financial trading post.

All the more remarkable, perhaps, is the speed of the city's recovery after years of relative decline. This slide in its fortunes owed much to Beijing's decision to keep Shanghai, with its history of destructive radicalism during Mao's Cultural Revolution between 1966 and 1976, on a tight leash, while allowing free rein to the southern regions adjacent to Hong Kong.

As a consequence, Shanghai's once virtually unchallenged status as China's industrial and exporting powerhouse was gradually eroded. Between 1978, the year China tentatively opened its doors to the outside world, and 1992-93, its contribution to national exports declined from 30 per cent to 7 per cent.

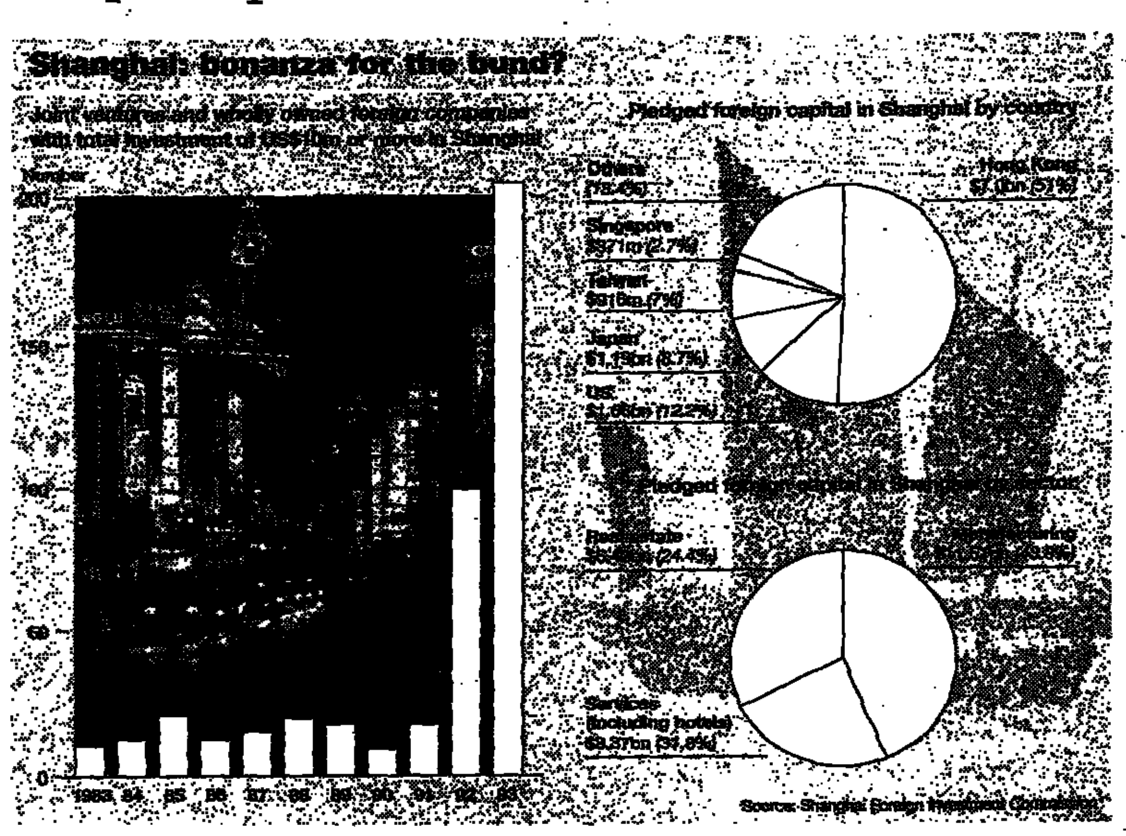
In 1985 it surrendered to neighbouring Jiangsu province its coveted status as the regional centre with the greatest absolute value of industrial output. Like an oriental Gulliver, Shanghai was being strangled. But Shanghai's fortunes changed in 1992 when ailing senior leader Deng Xiaoping, anxious to ensure his economic reforms were consolidated before he died, ordered that the shackles be removed.

The enterprising Shanghainese needed little encouragement to do what comes naturally to them – making money. Although substantial obstacles remain – such as a crumbling infrastructure after decades of neglect, and an archaic banking system unable to meet the demands of a modern economy – municipal officials make liberal use of superlatives to describe their ambition to transform Shanghai into the "dragon head" of China's economic revolution.

Shanghai's vice-mayor Xu Kuangdi likens the future roles of Shanghai and Hong Kong to those of complementary players in a "Beijing Opera". Hong Kong will continue to be a conduit between China and the countries of South East Asia, while Shanghai will form a "golden highway" between "China and the rest of the world".

Mr Xu would seem to have a point about Shanghai's role when it comes to markets – whether equities, bonds, commodities' futures or currencies. In scarcely more than a year Shanghai's markets have undergone extraordinarily rapid development.

The city is home to the country's three dominant commodities' futures markets – petroleum, cereals and metals. The last of these is now the world's third largest metals exchange and is beginning to influence trading in London and Chicago. Trading volume on the Shanghai metals exchange soared to Yuan388.9bn ($44.7bn) in 1993 from Yuan48.8bn after opening for business in May 1992.



Shanghai's fledgling interbank market will form the nucleus of a national currency trading system. All important regional exchanges will eventually be linked electronically with Shanghai, and it is hoped this will facilitate steps towards making the Chinese yuan a fully convertible international currency. But progress is likely to be slow since a national electronic dealing system is far from being in place.

The city will also soon be home to an experimental gold exchange to be organised by the People's Bank of China, the country's central bank, which holds the monopoly over gold trading.

Initially, the gold market will be restricted to enterprises directly involved in the Chinese gold industry, but gradually it will be allowed to evolve into a gold exchange open to the public. Chinese consumers last year purchased 223 tonnes of gold jewellery, according to the World Gold Council, making China the fourth biggest market for gold behind the US, India and Saudi Arabia.

It is a measure of Shanghai's growing strength as a financial centre that attempts by provincial governments, such as Jiangsu, to establish their own futures markets are tending to wither on the vine. Indeed, the central authorities have called a halt for the moment to the proliferation of futures exchanges following the near collapse of some and pending the drafting of new trading regulations.

Shanghai officials are using the city's revival to spur the growth of what they refers to as its tertiary sector, which includes both financial services and high-technology industries. At the same time the city is shrinking the low-technology state-run sector dominated by textiles. By the year 2000 tertiary industries will account for 45 per cent of the city's economy, against 37.8 per cent at the end of 1993, according to the municipal plan.

In this, the municipality is being assisted by a surge in investment, much of its destined for projects in the city's new Pudong Development Zone, on the east bank of the Huangpu River.

'There's tremendous risk in this market, but there are also prospects for enormous gains. It's going to be wild'

In the first two months of 1994, foreign investors pledged $1.1bn of new investment. By October, according to the American Consulate, 86 "Fortune 500" companies had invested in Shanghai, including McDonell Douglas, Du Pont, Xerox and Coca Cola.

In spite of Shanghai's growing self-confidence, however, there are considerable obstacles to the city's almost boundless ambition. These include a huge knowledge gap in a population starved for years of contact with the outside world. Teething problems abound, such as relatively frequent computer glitches in the Securities Exchange's supposedly state-of-the-art trading system. Trading surges tend to bring the system down.

The markets, including securities and commodities' futures, are also labouring under a lack of national regulations. Insider trading is a persistent problem, especially in the commodities' exchanges, where some of the bigger players are also China's monopolistic state trading corporations. This poses a threat to individual and smaller institutional investors who are in danger of being squeezed. The drafting of a new securities law and commodities trading regulations is progressing slowly, to the chagrin of local securities traders. Market managers recognise the need for a confidence boost to lift the equities markets, which have been depressed since last year and show little sign of recovering. This has tested the nerves of local investors who have been deserting stocks in droves for currencies and futures.

The Shanghai A-share market, restricted to Chinese investors in local currency, fell by about 50 per cent last year from a high in mid-February 1993. The B-share market, denominated in US dollars for foreign investors, has also experienced a bumpy ride and is well off its highs of last year.

In spite of its bearish mood, the equities market is still developing fast. Trading volume increased five-fold in 1993. At the end of last year some 133 A and B share companies had been listed, up from 38 a year earlier. Numbers of listed companies grew further to 177 by the end of March.

Western securities analysts in Shanghai believe the gloom in the stock market is temporary and is, in any case, attributable to a difficult learning process among investors unschooled in the vicissitudes of the marketplace.

Mr John Crossman, chief representative in Shanghai of the Jardine Fleming securities house, says it is understandable that China's emerging markets should be volatile, and he expects this pattern to continue for the next five to 10 years: "There's tremendous risk in this market, but there are also prospects for enormous gain. It's going to be wild."

The disappointing performance of Shanghai securities markets and reservations about China's regulatory abilities have not deterred foreign banks and securities houses from moving to the city. At last count, there were 26 foreign brokerages in Shanghai dealing in B-shares – including Barings, Jardine Fleming, Crédit Lyonnais and Standard Chartered.

Hard-pressed officials at the stock exchange joke that it seems now to have become the city's principal tourist attraction. Among a steady stream of high-level visitors in the past weeks have been Sir Andrew Hugh Smith, chairman of the London Stock Exchange, Mr Joseph Hardiman, president of the US NASDAQ exchange and Mr Peter Baring, chairman of Barings.

Not least among the attractions for them is the prospect of Chinese pension funds which, swollen with contributions, would seek help in investing vast amounts of money internationally. With China undergoing such a rapid transformation to a market economy, and with a process of corporatisation of previously state-controlled industries well under way, it is only a matter of time before Chinese superannuation funds develop a big appetite for investment opportunities abroad. The development of Chinese mutual funds and unit trusts is also in the wind.

Visits to Shanghai by representatives of the international financial community show that, after years of isolation, China, and Shanghai in particular, is being drawn inexorably into the world trading and financial system. But representatives of foreign securities houses also caution that Shanghai has a long way to go towards realising its ambition to rival New York, London or Tokyo.

Apart from an archaic banking system (banking reform lags far behind other sectors) and lack of full currency convertibility, Shanghai also labours under the burden of a primitive legal framework and an absence of transparency in financial rules and regulations.

But foreign bankers and securities traders believe that these impediments may not be a bad thing for the time being. "They shouldn't go forward too quickly," says Mr Crossman of Jardine Fleming. "If they move too fast they run the risk of not having the regulations in place to assert control. Their banking system could not cope, for example, with vast sums of money flowing in and out."

Shanghai may have to learn to be more patient if it is to consolidate its gains – but patience does not appear to be a conspicuous virtue these days in a city striving to regain its former glory.

MAN IN THE NEWS: Mangosuthu Buthelezi

A prickly bear baited

There are certain politically correct cliches about Chief Mangosuthu Buthelezi, leader of the Zulu Inkatha Freedom Party: he is mad; he is a dangerous megalomaniac; he is an enemy of the South African people; he fears electoral defeat and rejects democracy; he must be stopped.

Given the imminence of South Africa's first all-race elections, between April 26 and 28, and the high hopes pinned to this great event of national catharsis, few dare stray from the realm of the politically correct to question the truth of these labels. With the juggernaut of majority rule bearing down upon the nation, better simply to go on believing that Buthelezi is an evil but ultimately impotent menace; then he can be crushed with impunity, and with no fear for the consequences.

That is the reasoning which underpinned Thursday's decision to impose a state of emergency in Natal province, and the black homeland of KwaZulu (ruled by Chief Buthelezi). The elections must go on, in spite of the opposition of Inkatha, which commands a large chunk of the electorate in Natal/KwaZulu; Inkatha can be easily defeated because it commands no army; once crushed, it and Chief Buthelezi will disappear forever.

Would that reality were so simple. For Chief Buthelezi has been preparing for this battle – psychologically and militarily – for years. Since its formation as a "cultural movement" in 1975, Inkatha has worked hard to rebuild the sense of a Zulu nation, so strong in the 19th century but undermined by defeat at the hands of the British, the emasculation of the Zulu chiefs and the fragmentation of the Zulu kingdom early this century. A prince of the Zulu royal family and an uncle to the king, Chief Buthelezi has coaxed the embers of Zulu nationalism into full flame, reaching a climax earlier this week when Zulu warriors, marching to defend their King, were gunned down by African National Congress security guards in central Johannesburg. Chief Buthelezi's ethnic message may be denied by the political elite, but it has penetrated the public consciousness.

History may well condemn him for fanning ethnic flames which threaten South Africa's democracy. Historians will certainly condemn Inkatha – and possibly Chief Buthelezi, though his responsibility has not been proven – for operating "hit squads" using weapons and training allegedly provided by Pretoria's security services. Irrespective of history's judgement, Buthelezi is a reality; and he is doubly dangerous because he is not simply – as the politically correct would argue – a creation of apartheid whose power derives from apartheid structures.

Ironically, it would be more correct to say that Buthelezi is a creation of the ANC. As ANC deputy secretary general, Jacob Zuma (the only senior Zulu in the ANC's top leadership) explained in 1992, "forming Inkatha was the ANC's idea – to have a political organisation to undermine apartheid from within". For decades, Buthelezi did just that, refusing to accept independence for KwaZulu, and campaigning for the release from prison of Nelson Mandela. But when the United Democratic Front emerged in the early 1980s as de facto internal wing of the ANC, it demonised all "collaborators", chief among them Buthelezi. The Zulu leader opposed ANC policy on two central issues: economic sanctions and the use of guerrilla tactics to overthrow white rule. Today there is no political leader more despised by the ANC.

Certainly, Chief Buthelezi will lose part of his power base once an ANC government (which will sweep Natal as a result of Inkatha's election boycott) pays the salaries of homeland police, civil servants, and possibly the Zulu King. But the Zulu warriors who fought in the streets of Johannesburg on Monday were not teachers, nurses and bureaucrats. They came from the world of migrant workers' hostels and KwaZulu villages where tradition and loyalty to the King remain powerful forces for resistance.

No army can hope to subdue every village and kraal in rural Zululand; and even if they do so temporarily, violence will resume once they leave. The risk is that the battles of 1994 will store up material for resentment and revenge for decades to come.

Yet the ANC seems unable to resist the temptation to prod the angry bear that resides in Chief Buthelezi's soul. They know they will get nowhere by humiliating a man whose sensitivity borders on the paranoid. They know that any attempt to trick him will backfire because he cannot bear to be taken for a "stupid kaffir", as he so often points out; yet they offer him constitutional concessions which look good but mean little, and hope he will not notice. And most seriously of all, they think he has no true support and can be crushed by the legitimate will of the majority. In short, for the ANC, Buthelezi is a dictator clinging illegally to power, with no genuine constitutional complaints and no intention to negotiate. Their conclusion: accommodating him is not only unnecessary, but impossible.

That may be true now, but it was not always so. Even early this year, the ANC could have had a deal with Inkatha relatively cheaply, by agreeing to devolve real power to the provinces, rather than guarding it at the centre. The Zulu King was then on the sidelines, and could have been assured a place as titular monarch of Natal/KwaZulu, by guaranteeing the security of royal lands and palaces. Only when that deal fell through did he enter the fray, increasing tension by calling for a sovereign Zulu kingdom and commanding his subjects to defend their nationhood.

The chances are it is too late for a deal, and further violence is inevitable. Many would welcome his demise, in South Africa and abroad. He has alienated almost every local and foreign friend he ever had. His counter-productive propaganda machine has made it impossible to understand his policies, let alone defend them. He is, quite simply, in the way: obstructing the event millions worldwide have waited decades to see, the death of apartheid and the birth of a new non-racial democracy. And if he does not move, he will be removed by force – whatever the consequences.

Patti Waldmeir

صورة من الاصل

Shoppers in the line of fire

Emma Tucker and **Philip Coggan** on effects of UK tax rises

If it were *not* for the British consumer, the economy would still be looking glum. Spending by individuals has motored the UK back to recovery over the past year or so. But this weekend, it is as if they are being penalised for their efforts.

Building societies have already written to mortgage holders informing them that payments will rise at the end of April because of a cut in tax relief on interest payments; VAT was imposed on consumers' gas and electricity bills from yesterday; and take-home pay will also drop, with increased national insurance contributions and a reduction in the married couple's allowance.

In total, the tax changes will raise about £8.4bn in 1994-95, or 1.3 per cent of gross domestic product. Over the next three fiscal years, they will raise a total of between £15bn and £17bn, the equivalent of 7p in the pound on the standard rate of income tax.

Mr Kenneth Clarke, the chancellor, says the tax increases – introduced in the last two Budgets – are essential to reduce the public sector borrowing requirement, which is expected to reach about £48bn in 1993-94. The government believes the present PSBR is enormously high and has to be reduced in order to regain control over public finances. Moreover, it argues that a low PSBR would encourage confidence. But with recovery still fragile, is Mr Clarke wise to tinker with what is currently the economy's main driving force?

A particular feature of the recovery is that it has been almost entirely consumer led. Since early 1992, consumer spending has risen by an average of 2.7 per cent a year, while government expenditure and private investment – the other main components of demand – have barely increased.

In contrast, the recovery after the recession of 1974-75 was led by strong export growth, while that of the early 1980s was – at least initially – spurred by a rise in capital spending.

This time, consumer spending has been encouraged by a fall in mortgage interest rates, from a peak of 15.4 per cent in 1990 to about 7.6 per cent today. The benefit of lower rates is still being felt, as homeowners with mortgages reviewed annually switch to making lower payments.

The continuing impetus to growth from interest rate cuts allows the government to argue that the recovery can withstand tax increases. This conclusion is shared by the majority of the Treasury's six "wise men", or economic advisers, in their latest report.

Several City analysts agree with the Treasury panel. Mr Kevin Gardiner, UK economist at investment bank Morgan Stanley, says some of the tax increases, such as on tobacco and vehicles, have already been introduced, while others – the freezing of tax allowances, for instance – will not reduce nominal take-home pay. "Roughly half the fiscal pain [from higher taxes] is either behind us or will go unnoticed," he says.

Mr Gardiner predicts GDP growth of 2.8 per cent this year, compared with the Treasury's forecast of 2.5 per cent and with 1.9 per cent in 1993. He forecasts that, without the tax increases, consumer spending would have grown by up to 4 per cent this year, but he still expects a healthy 2.7 per cent rise.

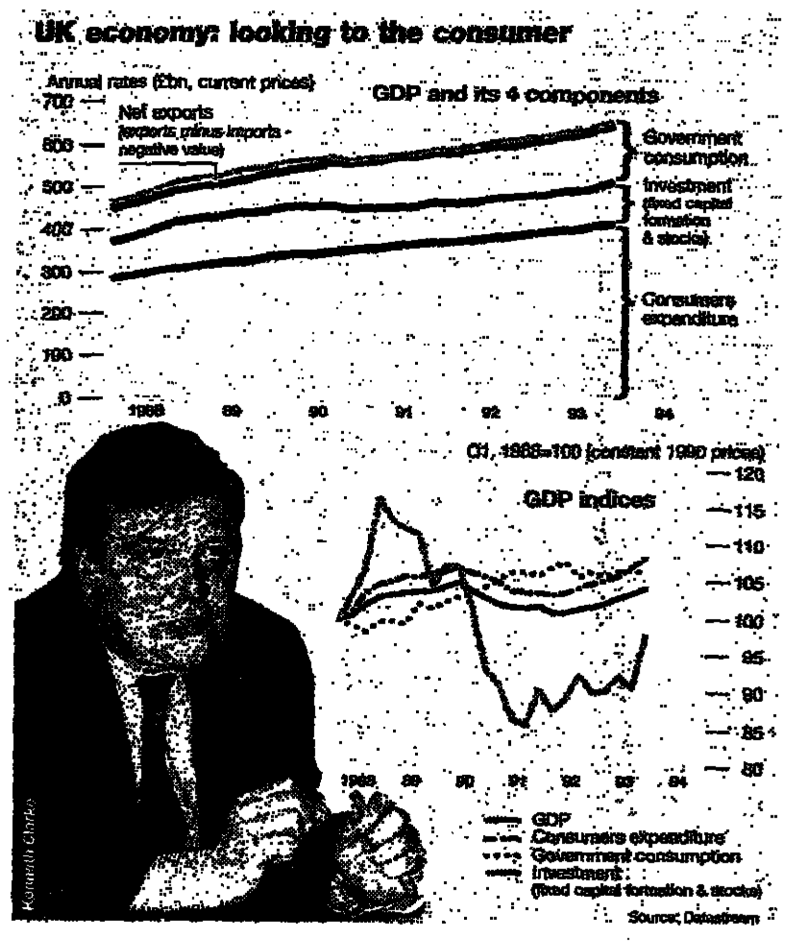
Similarly, Lombard Street Research, part of discount house Gerrard and National, concludes: "Concerns [about the tax increases] seem exaggerated, given that the increases will amount to only 1 per cent of personal disposable income in 1994-95 and about 0.2 per cent of personal wealth, and have been known about for a year."

There is some evidence to support the argument that the tax increases are not coming as a shock to consumers. They appear to have started scaling back their spending already: the annual growth rate in retail sales slipped to 2.5 per cent in February from 3.7 per cent the previous month.

Even if the tax increases do have an effect, consumers could keep spending at the same rate by increasing borrowings or by running down their savings.

There are three incentives for consumers to reduce their savings: falling unemployment, which reduces the need for precautionary saving; lower nominal interest rates; and subdued inflation. The savings ratio – personal saving as a percentage of disposable incomes – dropped to 10.2 per cent in the last three months of 1993, from 11 per cent in the previous three months.

It may fall further: Mr Adrian Cooper, UK economist at broker James Capel, predicts that by 1995 the ratio will have fallen to about 8 per cent. That, he reckons, will be in line with "the equilibrium savings ratio in periods of low inflation, such as the 1960s".



Source: Datastream

But not everyone shares the government's confidence that consumer spending will withstand the tax increases. Professor Wynne Godley of Cambridge University, a dissenter among the six wise men, says: "This is a very feeble recovery. The balance of payments is weak, unemployment is still high and output is unimpressive. If it was not for the falls in unemployment, you would not have much sense of a recovery."

Similarly, Mr Peter Warburton, at Robert Fleming Securities, says it is doubtful that growth has gained enough momentum to resist the fiscal tightening: "If interest rates had been cut earlier in the year, then we could perhaps have started off on a positive footing. Now we are facing the most unpleasant change in taxation for 13 years, and negative momentum is liable to build."

Nevertheless, even if the tax increases do depress consumer spending more than the government might hope, there could be long-term beneficial effects. In the past, surges in UK consumer spending have sucked in imports, leading to a deterioration in the balance of payments, a fall in sterling and eventually a rise in interest rates.

The UK's trade position is already deteriorating. The current account deficit widened to £2.6bn in the last three months of 1993 from £1.8bn in the previous three months, as earnings from services and financial transactions proved insufficient to compensate for the deficit in "visible" goods.

Mr Andrew Sentance, of the London Business School, says: "Consumer spending now absorbs a much higher share of GDP in the UK than in other countries, reducing the proportion of national resources devoted to investment. If this imbalance is redressed, the UK will be able to maintain a higher rate of investment without balance of payments or inflation problems. That should put the economy in a better position to sustain growth over the medium term."

There are some tentative signs that investment is emerging from the recessionary doldrums. Gross domestic fixed capital formation increased by 2.5 per cent between the third and fourth quarters of 1993, the fastest quarterly increase for five years.

The risk, which cannot yet be ruled out, is that Mr Clarke has got his calculations wrong – and has stifled consumer spending to such an extent that the recovery will stall. But the pick up in investment offers some encouragement to the government that the tax package will amount to a gentle application of the brake, allowing the economy to steer a smoother growth path.

Personal tax checklist, Page III, Weekend FT

Ian Davidson argues that the UK has averted one European crisis, but a showdown is inevitable

Vengeance of a Union scorned


Unreconciled: John Major's government remains opposed to the objective of a quasi-federalist Union

Mr John Major's capitulation over voting rights in the European Union has averted a serious crisis in Europe. But this is at best only a temporary truce in the UK's long-running battle to resist and, if possible, reverse the trend to closer political integration in Europe. The prime minister has abandoned this particular attempt to reduce the scope of majority voting in Europe; but his government remains unreconciled to the objective of a quasi-federalist Union which is supported by most member states.

What has happened this week has settled nothing in Britain, and settled nothing in Europe; it is only a short-term postponement of a showdown between the UK and its European partners which is steadily becoming more inevitable.

Such a showdown is already lying in wait, in the Inter-Governmental Conference scheduled for 1996. Mr Douglas Hurd, UK foreign secretary, tries to minimise the significance of this week's capitulation, by implying that it could be reversed in 1996. In reality, the central aim of the IGC, in the minds of most member states, will be to strengthen political integration. It is therefore bound to be a scene of confrontation between Britain and its partners.

Moreover, by then the political stakes will have been raised by another order of magnitude, because the west Europeans will be wrestling with the political implications of expanding their Union into central and eastern Europe. London claims to believe that enlargement of the Union will, or at least should, turn it into a looser, more inter-governmental type of grouping. But most of the other members maintain that a larger Union must become more integrated, and no doubt the candidate countries in eastern Europe will agree with them.

Chancellor Helmut Kohl has made clear that he will be pressing for the opening of the European Union to the east; and he has explicitly derided the idea that such an enlarged Union should be turned into a loose free trade area.

Paradoxically, the confrontation over blocking minorities blew up precisely because the member states had wanted to avoid it. In the spring of 1992, it was argued, by the Commission among others, that the prospective negotiations to expand the EC, through the admission of the four European Free Trade Association countries, would require a big revision of the decision-making arrangements, including national voting weights and majority voting rules.

Decision-making was already difficult enough in the Community of 12; so the rules had to be adapted to make sure that it did not become more difficult in a Community of 16. A second reason was that existing voting weights were skewed in favour of the small members; Germany, for example, has 200 times the population of Luxembourg, but only five times the number of votes in the Council of Ministers. Since all the Efta candidates were small, enlargement would make this bias in favour of small countries even worse.

But by the time of the regular European summit in the summer of 1992, governments were having second thoughts. They had been deeply shaken early in June, when the Danish electorate turned down the Treaty of Maastricht. So when the 12 leaders met later that month in Lisbon, they were doubly anxious to avoid any bruising new arguments over politically sensitive issues. They announced that this enlargement could take place without any revision in the principles of majority voting or the future of the institutions. By implication, these questions would be back on the agenda for the following enlargement, taking in the countries of eastern Europe. In the meantime, new members from Efta would have the same voting weights as corresponding existing members, and the required majority thresholds would be adjusted mechanically.

A voting imbalance between big and small states could undermine the whole system

Like most decisions born of panic, this was a stupid position to have taken. The 12 were setting up a future situation which would be difficult to change. They seemed to assume that the small countries, which would total 11 of the future 16 members, would willingly give up their voting weight advantage, without compensation; and they ignored the fact that six of them would have to submit this sacrifice of national advantage to a referendum. For the sake of a quiet life now, the 12 were storing up trouble for the future.

Even for the short term, the 12 were taking a risk. Such an imbalance in voting power between large and small countries could undermine the legitimacy of the whole system, which is already under challenge in several member states. At one extreme, the UK, Germany and two small countries, mustering more than 40 per cent of the population of the Union, could be outvoted by the rest; but eight small countries, with barely 12 per cent of the population, would command a blocking minority. The original small-country bias was part of the founding bargain between the six like-minded states; but the imbalance is becoming more acute in a Community where members are less like-minded, and some (like Britain) not committed to the underlying premiss of integration at all.

If the voting weight bias favouring the little countries is ever to be reversed, the reform will obviously have to be paid for; and the currency of payment will probably have to be more integration. That is the challenging position, as sketched out by the Belgian government: if political legitimacy is said to reside essentially with the nation states and the sovereignty of national parliaments, then this fact must be reflected in the (relative) equality of the nation states in Brussels; but if it is claimed that population counts, then this fact must be reflected in the democratic legitimation of the Brussels decision-making process.

In theory this week's compromise settlement should close off until 1996 the danger of a crisis over the institutions of the Union. But that crisis may yet break in through another door, if the German government lives up to its declared determination to hurry the opening of the Union to the countries of eastern Europe. Clearly they will not be ready for full economic membership of the Union for some years to come. But if Germany presses for a different form of political membership, then it will become impossible to resist the reopening of all the issues of decision-making and voting weights and institutional legitimacy, which many had thought had been quietly put off to another day.

Phone companies need Britons to speak more to each other at home, says **Andrew Adonis**

Money out of chatterboxes

"The problem with television is that people must sit and keep their eyes glued on a screen; the average American family hasn't time for it."

So said the New York Times in 1939; the rest is history. In the case of telephones, however, ingrained habits and perceptions about the cost of calls have proved remarkably enduring in the UK and much of Europe.

The typical home telephone in the UK is used for less than four minutes a day, according to figures released by British Telecommunications this week. In Agatha Christie's detective novels, set in inter-war England, the phone was in the hallway, used for the imparting of brief, telegram-length messages. Sixty years later there are far more phones, but for most people they serve the same function.

There is a marked sexual bias to domestic calling patterns: men make twice times as many work-related calls as women. But women make twice as many calls to relatives and run up larger phone bills – except among the under-24s, where BT's figures show that it is men who spend most on social calls.

The statistics suggest that increasing the usage of the telephone line should be the overriding goal for telecoms companies, and a far higher priority than seeking to outwit each other in battles with regulatory authorities over pricing and competition issues.

The modest use of home telephones affects not just the profits of telecommunications companies. It also has a vital bearing on the prospects for the much-touted "information superhighways", intended to provide a plethora of new telecoms services in the home.

If the British home phone were engaged for 14 minutes a day instead of four, BT could spend £1bn a year on building a UK-wide fibre-optic superhighway, lose a quarter of its domestic customers to Mercury and the fledgling cable companies offering telecoms services, and still turn in larger profits than today.

Such thinking explains why BT's forthcoming advertising campaign, to be launched next month, will focus on two messages: the real cost of a phone call, and how it can improve the quality of life. It may also explain why Mr Stafford Taylor, BT's new head of personal communications, says BT's mission is to get friends and relations to speak to each other – a far cry from the old days, when BT was a nationalised utility, and it took weeks even to get a phone connected.

Comparisons between the UK and the US illustrate the scope for growth. In the US, the typical home phone is used for 18 minutes a day. Americans spend twice as long on the line to relatives than the British and more than four times as long chatting to friends. But the sharpest contrast is in "telebuying": American households spend an average of six minutes a week purchasing goods and services via the telephone, compared with half a minute in Britain.

Culture, geography, even variations in climate partly explain such international differences. Americans live further apart than Europeans; their service industries are more geared to the phone. Within Europe, the Scandinavians and Italians spend far longer on the line than the British, according to BT – possibly because colder weather keeps the Danes and Finns indoors, while Italian families are more communicative than their English counterparts.

Nonetheless, marketing and perceptions of price also account for British reticence on the phone. The price of calls has fallen by about 40 per cent in the UK in the last decade, and Organisation for Economic Co-operation and Development studies show that the price of residential calls is similar in the US and the UK. Yet British perceptions have not changed: the typical caller overestimates by three times the cost of making a call.

The same disparity applies to mobile phones. A study* by the Manchester School of Management, based on a survey of 500 university employees, reveals gross overestimates of the price of mobile services.

Ironically, the prices volunteered by the respondents as "reasonable" were almost identical to today's actual prices. The average price volunteered for a mobile handset was £190; £77 was considered reasonable, which is about the going rate for a bottom-of-the-range model. On average, respondents thought that peak-rate calls cost 57p a minute and off-peak calls 35p; they considered 24p and 14p, respectively, to be reasonable – within a few pence of what Vodafone and Cellnet, the two largest operators, charge.

Unsurprisingly, only 5 per cent of those surveyed had a mobile phone or pager. There was also little enthusiasm for the concept of constant contactability – 71 per cent said they did not want to be available by phone at all hours of the day.

But barely one in eight said they would "never" want to make or receive calls when out and about, and only 18 per cent thought that society was a better place before the arrival of mobile phones. It is fair bet that if the price was low enough, and known to be so, almost everyone would buy a mobile phone.

More effective marketing would seem a prime requirement for tapping that latent demand. US telecoms giant AT&T spends about 10 times as much as BT on advertising as a proportion of revenues.

BT's figures might lead it to use advertising to persuade men to make more social calls and women to work more from home. But if the US is any guide, phone companies and consumers alike would gain most from a fierce, well-publicised price war. Consumers would have the actual cost of calls drummed into them; line usage would rise; phone company profits might be boosted – in the cause of getting people to talk to each other.

**Manchester School of Management, PO Box 88, M60 1QD. £90*

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

NHS draft governance codes not adequate on internal auditors

From Mr Andrew Chambers.

Sir, Alan Pike reports Mr Alan Langlands, the new chief executive of the National Health Service, as stating that the draft codes on corporate governance, published by the NHS executive, have received positive comments from professional bodies ("Health pay put first in line for treatment", March 30). I would like to point out that the Institute of Internal Auditors-UK was disappointed with certain elements of the drafts.

While the IIA-UK applauds the move for stronger internal control, it believes that Mr Gordon Greenshields, head of the NHS finance executive, was misguided in recommending that internal auditors be CCAB (Consultative Committee of Accountancy Bodies) qualified. CCAB qualifications do not place sufficient emphasis on how to ensure good internal control. By focusing on the financial reporting objective of internal control, they fail to address the other objectives of internal control which fall within the much broader approach covered by internal auditing.

The IIA-UK firmly believes that NHS internal auditors who hold the Institute's MIIA and QiCA qualifications are better equipped to fulfil their role. These qualifications provide the holder with the knowledge required to report on the whole system of internal control and not solely on its financial aspects.

The NHS is responsible for 15 per cent of public spending – mismanagement of these funds, or unacceptable risk-taking, is a cause for public concern. Properly qualified internal auditors play a vital role in ensuring that these risks are minimised.

Andrew Chambers,
chairman, professional standards and guidelines committee,
IIA-UK,
13 Abbeville Mews,
88 Clapham Park Road,
London SW4 7BX

Lethal move for small business

From Mr Leslie Thain.

Sir, The debate rages on in your editorial ("Late payment of bills", March 28) with regard to the need for legislation to assist the cash flow of small and many medium-sized businesses.

It is perhaps likened to killing the proverbial "cat". Why can MPs and others who lobby not see that this action will only accelerate the demise of the small business? All the major customer will do is use a supplier (accepting, of course, that some suppliers might just have an added "unique" product advantage built in) which tends to be more lenient with regard to cash collection. The dog-eat-dog syndrome will ensure that there are many other willing suppliers happy to fill a hole left by a conscientious objector.

As for balance sheet policing, a simple window dressing exercise at the year end will resolve that. The solution lies simply in ensuring that adequate, skilled resources are applied to the management of assets.

Until then, I fear, the giants will continue to hold all the cards.

Leslie Thain,
treasurer,
Clifford Chance,
200 Aldersgate,
London EC1A 4JJ

Social clause safeguard for Gatt trading system

From Mr Peter Madden.

Sir, Christian Aid's experience in more than 70 developing countries is that labour standards could indeed be an excuse for a new protectionism ("Workers' rights and free trade", March 28). But allowing for a free-for-all would be just as bad. Global economic integration with a competitive devaluation of standards could leave workers in both north and south worse off.

Unemployment in industrial countries is already increasing the pressure to adopt unilateral protectionism. Integrating a social clause into the General Agreement on Tariffs and Trade could be the best safeguard of a rules-based multilateral trading system.

By addressing workers' rights at next month's Gatt meeting governments will also be addressing the concern of consumers who increasingly want to know that what they buy is "fairly traded".

Peter Madden
Christian Aid,
PO Box 100, London SE1 7RT

AGM video welcomed

From Mr Peter J Mugridge.

Sir, As a partially deaf person and a shareholder, I have much appreciated the innovation by Hanson plc to make a video of its AGM which is distributed free to any shareholder asking for it.

This is exactly what I have been waiting for and I hope other companies follow Hanson's lead. For the first time ever, I was able to follow the events perfectly, which previously I found difficult even when in attendance.

I hope this innovative idea is here to stay and I would like to add one thing. All chairmen should try to emulate Lord Hanson's diction and delivery, slow and clear, a real compliment to his audience.

Peter J Mugridge,
74 Miles Road,
Epsom,
Surrey KT19 9AD

Well-rounded education

From Ms C Shepard.

Sir, In her letter of March 25, Mrs S Copperwaite of Merrill International demonstrates all the enthusiasm of a good student. After all, poets are read mostly by other poets, watercolour painters viewed by others of their skill, and investors also think the world revolves around their profession.

I am a fan of Michael Prowse and agree that a well rounded education includes economics. The trouble is that formal schools of economics admit they cannot create an expanding market at will.

I read somewhere that most economic reports are studies in obfuscation and I agree.

Until this problem is cleared up, I think schools could use some understanding of moral standards, honesty and charity backed up by the age-old tenets of whatever major religion is followed by the student and his family, whether he/she is an investor, watercolour artist, poet or whatever.

Ms C Shepard,
600 Foothill Road,
Palo Alto,
CA94305 8444,
US

Bright hope for Ukraine's future

From Mr Bohdan Skrobach.

Sir, The announcement by the Ukrainian government of a complicated procedure for run-off elections ("Kravchuk sets new hurdle in the path of parliament", March 30) shows that the true democrats in Ukraine are not politicians, but its citizens.

Despite a confusing electoral law 75 per cent of the people voted in the first round.

Regardless of the final outcome one clear message has been given. Ukrainian citizens seek solutions through democratic institutions. Although in the west this sentiment is taken for granted, in a former authoritarian state, where two-thirds of the people are classified as living under the poverty line, it is the one bright hope for the future.

Bohdan Skrobach,
23 Rowland Street,
Toronto, Canada M6P 1M2

Redland better than expected with £279m

By Andrew Taylor, Construction Correspondent

Pre-tax profits of Redland, one of Britain's biggest building material groups, jumped by 40 per cent last year from £199m to to £279m.

Comparisons between the two years were distorted by profits and losses on the disposal of businesses and properties. A better guide to performance was a 28 per cent rise in operating profits, after interest payments, to £267m (£208m).

The shares, following the better than expected results published on Thursday, rose 15p to 539p. The market was also encouraged by the company's comments about the continuing strength of the German housing market and rising UK building material prices.

The company said it had generated £297m of cash during 1993, compared with an outflow of £369m in 1992. This had enabled it to reduce net borrowings from £661m to £384m and gearing from 67 per cent to 43 per cent, including auction market preferred stock as debt.

Turnover rose from £2.09bn to £2.47bn. Earnings per share rose to 26.1p (23.7p), adjusted for the loss on the disposal of an investment in an associate.

The maintained final dividend of 16.75p makes a same-again total for the year of 25p.

Mr Robert Napier, chief executive said: "In the UK prospects do at last look more encouraging, with the housing market improving. After many years of decline, building material prices and margins are now recovering. The changes to the road programme announced by the government are unlikely to have any adverse impact in 1994 and 1995."

UK operating profits in 1993, excluding £6m for the costs on plant closures, rose from £24.8m to £28.8m.

Trading remained strong in Germany. Housing permits issued in eastern Germany more than doubled and over the country as a whole the rise was 22 per cent. German operating profits increased from £115m to £150m.

Profits from the US more than doubled to £54.5m (£26.7m) assisted by increased sales in Florida following Hurricane Andrew and the completion of Denver's new international airport.

These special factors may not be repeated, but the company was encouraged by rising US construction activity as the economy continued to improve.

Mr Napier said that elsewhere in Europe the outlook was mixed, with the Netherlands steady but little sign of improvement in France.

Australia and the Far East were trading well. Overseas profits, in total, rose from £209m to £281m.

See Lex

Westland joins GKN stable

By Tim Burt

M&G and Schroders, the largest institutional shareholders in Westland Group, are expected shortly to accept GKN's increased takeover offer for the helicopter manufacturer.

The two institutions, which together control 25 per cent of the Yeovil-based company, are likely to take the revised 335p-a-share cash offer following the Westland board's reluctant decision to recommend acceptance of GKN's £577m hostile bid.

Mr Alan Jones, Westland chairman, made the recommendation following a meeting on Thursday with Sir David Lees, his GKN counterpart.

Sir David told him that the engineering group had secured enough shares to ensure its stake could not be diluted below 50 per cent.

GKN, which increased its 290p-a-share offer by 15 per cent earlier this week, has purchased more than 13.4m Westland shares at 335p and now controls 52.35 per cent of the enlarged share capital – allowing for conversion of preference shares.

Although Mr Jones claimed GKN's revised offer still undervalued Westland, he told investors: "It would not be in the interest of shareholders or warrant holders to continue to retain minority holdings in a company that formed part of the enlarged GKN group."

Royal Insurance, which controls 4 per cent of Westland, has signalled its intention to follow the recommendation and other institutions are expected to follow suit.

United Technologies, the US parent of Sikorsky helicopters, will also gain from the revised offer.

The group is expected to receive around £86m rather than the £75m on offer at the 290p price.

Calor boosted to £51.5m

By David Wighton

Calor Group, the dominant supplier of bottled gas in the UK, is increasing its dividends for the first time since it demerged its oil interests in 1988.

A final dividend of 6.5p increases the total for 1993 to 12.5p (12p) out of earnings per share which recovered to 19.5p (12p).

Pre-tax profits rose by £17.9m to £51.5m last year largely because of the absence of £14.8m of exceptional costs, incurred in 1992, relating mainly to the restructuring of the core gas business, the directors stated.

Mr Howard Robinson, chief executive, said the dividend increase reflected the company's strong balance sheet and cash flow. "We also wanted to restore income for shareholders after the advance corporation tax changes last year."

However, he added that it should not be taken as a signal that dividends would rise "ever onwards".

The company has cut its costs by more than £15m a year, reducing its staff by 1,000 to 2,000, in an attempt to stem the long-term decline in its market share.

"In 1993 we used the cost savings to offer better value for money to our customers which reinforced our position as market leader," said Mr Robinson.

Calor cut its prices which stimulated higher sales volumes with little help from the weather or the economy.

Group turnover fell nearly 5 per cent to £295.9m and Calor's own cost of gas rose but, thanks to the restructuring, operating profits from the core gas business were little changed at £54.4m.

Rugby cuts flotation price to 115p

By Simon Davies

Hillsdown has decided at the last minute not to sell its stake in Rugby Estates, the company run by its former property team, because of a significant cut in the flotation price.

The pricing for the Rugby flotation was announced on Thursday, and the property company is being valued at £20.75m, compared with an initial target of up to £30m.

The offer comes in the middle of a glut of property flotations, a sharp reduction in the property sector's premium to asset value, and the recent under-subscription of the public offer for Capital Shopping Centres.

These factors forced the company to scale down pricing and the size of the share offer. It is placing 13.24m shares at 115p, which will raise £14.24m for Rugby, compared with the initial aim of raising £19.7m from the share offer. The placement amounts to 73 per cent of the enlarged company.

The pro-forma net asset value per share is 116.8p and the issue price therefore represents a 13 per cent discount to net asset value, compared with the initial expectation of a premium.

As a result of the reduced offer price, Hillsdown is to retain its 13 per cent stake, diluted from 49 per cent, because of the new shares.

Mr Andrew Wilson, managing director, said he was pleased with the amount raised by Rugby.

The company will have 32 per cent gearing on flotation, but Mr Andrew Wilson, managing director, said he would be happy to reach an average figure of 100 per cent.

Adjournment puts Heron creditors in confusion

By Maggie Urry

Creditors of Heron International were left in confusion on Thursday, after meetings of senior and junior bondholders were adjourned in the absence of a quorum. The meetings were held to approve a deferral of interest payments due on Thursday until the end of June.

With the interest left unpaid, the bonds are technically in default, though as yet no creditor has moved against the company. Under the terms of the trust deeds, holders of at least 25 per cent of the bonds can ask the Trustee to act.

Holders of 35 per cent of the bonds either attended the meeting or voted by proxy, but the quorum required was at least 50 per cent. The meetings were therefore adjourned and will be called again, probably towards the end of April. At least 14 days notice is required. At the reassembled meetings the quorum is two holders, whatever the value of the bonds they hold.

Heron had warned that without the interest deferral, and the postponement of other payments due, the property and trading group might be unable to continue trading.

In a separate development, Heron Properties, the US arm of Heron which was detached from the group under last year's refinancing, is being sued in the New York Supreme Court by Stratagem Development Corporation.

Stratagem – which is also suing nine banks and four people, including Mr Gerald Ronson, chief executive of Heron International, and its head Mr Simon Shane – and Heron have been embroiled in litigation for some years.

Stratagem is asking the US court to set aside the restructuring of the US companies on the grounds that it constituted "an unlawful fraudulent conveyance". It asserts that Heron Properties gave security over assets to the nine defendant banks with the intent of preventing the payment of unsecured creditors such as Stratagem.

Taking a walk on the wild side

Raymond Snoddy on Pearson's purchase of The Software Toolworks

Pearson's agreed offer of $462m (£310m) for The Software Toolworks, the interactive software publisher, looks a little like one of the California's company's most recent hit products – MegaRace.

The CD game, which sold 100,000 copies in its first week, is described as "a wild, on the edge, virtual driving experience through the landscape of a future Megalopolis".

The planned drive into the new world of multimedia by a company, which was starting to acquire a reputation for caution and being bridesmaid rather than the bride, will be seen by some as a little bit on the wild side.

The price for Software Toolworks, which specialises in the production of "entertainment, edutainment and infotainment" for personal computers and video game machines such as Nintendo and Sega, is no less than 120 times the company's pre-tax profits for the year to March 1993, although the multiple is something like 57 for the present year.

"Whenever you back an emerging market you are taking a risk," said Mr Frank Barlow, managing director of Pearson, which has interests including the Financial Times, Penguin Books, Thames Television and a stake in Sky Television, the satellite venture.

To counter suggestions that the price was high Mr Barlow added that conventional wisdom used to suggest that the price for Sky had been high.

Pearson, which has taken a strategic decision to concentrate on information, education and entertainment, also announced formally that it was setting up a new division, Pearson New Entertainment Europe. It will be led by Mr Nick Alexander, who is joining Pearson from Sega Europe.

Mr Barlow described New Entertainment Europe, which will be run separately from Software Toolworks, as "taking an each way bet".

Lord Blakenham, chairman and chief executive of Pearson emphasised that the price was in line with other relevant transactions around the world.

Earlier this year, for example, Electronic Arts, one of the largest computer game companies, bought Broderbund, another software company for $400m, although Broderbund then had profits of $20m a year. In the nine months to December 1993 Software Toolworks had pre-tax profits of $6m on sales of $107m.

Pearson intends to launch a tender offer for all the 29.5m outstanding shares in Software Toolworks, a company quoted on Nasdaq.

The offer will remain open for 20 business days and the deal is dependent on more than 50 per cent of the shares being tendered. The California company which has been through difficult lossmaking times is now expanding under new management and last year produced 105 titles with plans to produce another 155 this year.

It has the rights to use the Nintendo Mario Brothers characters for educational purposes and the Star Wars characters as well as developing its own brands, which include Chessmaster and typing and piano teaching systems on CD-Rom. Its future profits growth is linked with the consumer market for CD-Roms where the cost of production is much lower than for video games cartridges.

Sales of CD-Rom software in the US reached an estimated $2.6bn in 1992 up from $304m in 1988.

To a considerable extent Pearson and Software Toolworks chose each other. While Pearson looked at a large number of possible acquisitions, the software company had talks with 20 possible partners.

Mr Bob Lloyd, chief executive of Software Toolworks, said the company was impressed with Pearson's track record of working well with creative groups in the media business. Or, as Mr Barlow put it on Thursday with a smile, "dealing with difficult people".

There are a lot of earrings and long hair at Software Toolworks, the Pearson managing director noted with satisfaction. However, in comparison to annual staff turnover rates of 50 per cent in some parts of the software industry Software Toolworks had a 4 per cent turnover rate over three years.

The City decided the deal would be dilutive in the short term and marked Pearson shares down 26p to 641p on Thursday.

If the deal is finalised it will be the largest so far of its type and one of the most significant moves so far by a conventional European publisher into multimedia.

As the blurb of MegaRace says: "Winning is all that counts". It is too early to know how big the prize will be even for "winners" in the wild multimedia race.

Lord Blakenham hopes Mario will lead the way to future growth

Capital Radio expansion

By Raymond Snoddy

Capital Radio, the London commercial pop music broadcaster, has extended its reach to the south of England with an agreed £32.6m takeover of Southern Radio.

The boost to the process of consolidation within the commercial radio industry came the day after Capital's London rival LBC announced it had gone into receivership.

Capital, the flagship company of commercial radio whose two London licences, Capital FM and Capital Gold, will soon be up for renewal has already received irrevocable undertakings covering 55.9 per cent of the Southern shares.

The deal is 115p in cash for each share of Southern, a group formed in 1991 by the merger of Invicta Sound and Southern Radio. The group broadcasts in Kent, Sussex, Hampshire and the Isle of Wight.

The deal will reinforce Capital's position as the main player in the UK industry. Apart from its two London licences the company also operates BRMB and Xtra AM in Birmingham and has stakes in a string of other radio companies including GWR, Metro Radio and Chiltern.

The bid for Southern, which returned pre-tax profits of £956,000 on turnover of £8.6m in the year to September, is designed to increase Capital's business outside London where competition continues to grow.

The Radio Authority is about to advertise four new radio licences for London and further licences are possible next year.

Commercial radio revenues in the UK have been rising, helped by two new national stations – Classic FM and Virgin 1215 – launched in Britain and a raft of more local stations and a better co-ordinated promotional campaign for radio.

BP in talks on nutrition sales

By Deborah Hargreaves

British Petroleum, the UK-based international oil company, is in talks with two venture capital funds about selling the remainder of its nutrition business to a management buy-out team. The sale is expected to raise about $500m (£342m).

The Netherlands-based business is an important supplier of feed and animal products in Europe, with interests in North and South America and a turnover of $2bn last year.

BP, which has been selling off its nutrition interests over the past 18 months, said it was negotiating with CINVen and Baring Capital Investors about the sale of its Agri Specialities, Aquaculture, Breeding and Feed and Animal Products business.

BP has raised over $1bn in cash from nutrition disposals.

De-listing fear for London Securities

By Simon Davies

London Securities, the property investment company, has warned that if ongoing discussions for the completion of a property purchase are not completed by the end of this month the company would be threatened with de-listing.

London Securities completed a company voluntary arrangement in 1992, whereby its previous assets were put under the control of its secured lenders, leaving the company as a cash shell.

It is considering the purchase of properties from its Nu-Swift, the fire protection and property group which with a 29 per cent stake is the company's largest shareholder.

It yesterday announced a pre-tax loss of £342,000 for the year to September 30 1993, reflecting the absence of operating businesses. Losses per share were 0.6p.

Fire surplus keeps Gaskell in the black

Gaskell, the carpet manufacturer, reported a pre-tax profit of £403,000 for the 12 months to the end of December, against £131,000.

Turnover was up 8 per cent at £30.5m (£28.3m) but there was an operating loss of £174,000 (£619,000 profit). This was offset by an exceptional credit of £913,000 representing profit realised on machinery destroyed by fire.

The dividend for the year is maintained at 4.25p, with a final of 2.75p. Earnings per share came through at 5.3p (1.6p).

HSBC prompts bid talk with 6% stake in Hogg

By Richard Lapper

HSBC Holdings has acquired a 6 per cent stake, worth about £8m, in Hogg Group, the insurance broker and Lloyd's underwriter, in the last few days prompting speculation in the City that a takeover bid was in the offing.

Mr Anthony Howland-Jackson, chairman and chief executive of Hogg, said HSBC had shown interest in the past but that no formal approach has been made recently. "Clearly we can only assume they have bought these shares with something in mind."

Hogg discussed the stake with its bankers, on Thursday, when HSBC announced the holding. HSBC said it was one of a number of investments in the insurance industry.

The acquisition led to mounting investor interest in Hogg's stock, the price of which has been depressed following a profits warning in January. On Thursday the shares closed at 165p, up 24p on the day.

Mr Tom Bennett, insurance analyst with Banque Paribas Capital Markets, said the announcement looked "like a precursor to something".

He added: "Takeover enthusiasm has raised its head and is bound to tinge all players in the sector."

Cementone rises 22% to £1.21m

By Tim Burt

Cementone, the specialist paints and building chemicals manufacturer which came to the market earlier this year through a reverse takeover of Multitrust, has announced a 22 per cent increase in profits.

Strong demand for the group's admixtures and bulk chemicals helped lift pre-tax profits to £1.21m (£995,046) in the year to December 31.

Operating profits rose by 6.7 per cent to £1.45m (£1.36m), but the group benefited from reduced interest payments and increased investment income.

A decline in paint sales, however, contributed to flat turnover of £17.4m (£17.2m).

Mr Alfred Baxendale, the chief executive, said the group was proceeding with plans to dispose of the asset portfolio inherited from Multitrust, the property investment company.

Earnings per share rose to 4.06p (3.44p), and Mr Baxendale said the group would announce its first interim dividend in September this year.

NEWS DIGEST

Downturn in France hits Ash & Lacy

A difficult year for its galvanising plants in France left 1993 pre-tax profits for Ash & Lacy, the metalwork company, 9 per cent lower at £3.41m, against £3.74m.

Turnover was slightly higher at £54.2m, compared with £53.9m.

The West Midlands-based company said that trading conditions had continued to be difficult, particularly in France which suffered a further weakening of demand affecting its large scale plants.

UK galvanising increased sales and profits with a good contribution from the Midlands and manufacturing increased profits as a result of a good performance from the storage tank division.

Earnings per share were 8.26p (9.76p). An unchanged final dividend of 3.9p maintains the total at 6.4p.

Glenchewton

A strong second half performance enabled Glenchewton, the toys, housewares and basketware company, to swing from losses of £2.2m to profits of £606,000 pre-tax for 1993.

Turnover from continuing operations improved by 19 per cent from £16.2m to £19.2m. Earnings per share emerged at 1.89p (losses 9.25p).

Boxmore

A 23 per cent increase in pre-tax profits was announced by Boxmore International, USM-quoted maker of packaging products, for 1993.

On turnover of £32.6m (£32.2m) profits improved from £3.62m to £4.45m.

Mr Harold Ennis, chairman, said severe competitive pressures had prevailed in most of the group's markets and prices either remained stable or fell. The better margins were a result of innovation and improved efficiency, he added.

Earnings per share rose to 16p (13.1p). Because of the placing to fund the acquisition of Label Research, a second interim dividend of 2.75p in lieu of a final, was declared in February, making 4p (3.68p) for the year.

African Lakes

High interest rates in Zimbabwe and Malawi affected the results of African Lakes Corporation, which announced pre-tax losses of £929,961 for the year to September 30 1993, compared with profits of £1.28m restated in accordance with FRS 3. Profits last time include a £542,813 profit on property sales.

The company, which has interests in motor trading, agriculture, mining, engineering and computer supplies, said the impact of economic problems in Malawi had been worse than expected and operations there, traditionally the strongest contributor to second half profits, had suffered badly.

Turnover fell to £46.7m (£50.5m) generating operating profits of £530,219 (£1.52m). Losses per share were 13.04p (4.27p earnings) and a nominal dividend of 0.5p (2p) is proposed.

Anglo Pacific Res

Anglo Pacific Resources, the USM-quoted mineral exploration and coal producing group, ended the 1993 year with a pre-tax loss of £163,000, down from the previous year's deficit of £670,000.

Turnover rose from £2.11m to £3.38m, but the cost of sales increased by a third to £3.22m.

The results included initial royalty income amounting £576,000 from the Gordonstone coal project.

Losses per share emerged at 0.33p (0.86p).

Empire Stores

Empire Stores Group, the Bradford-based mail order company owned by Redoute Catalogue, the French mail order group, returned to profit in 1993 with £3m before tax.

The result ended two years of losses to the tune of £8m in 1991 and £2.7m in 1992.

The company said the turnround was due to the recovery plan put in place in 1991 following the acquisition by Redoute.

It was also announced yesterday that Redoute is merging with Pinault-Printemps Group, which previously owned 54.4 per cent.

Waterhouse

With margins still under pressure USM-quoted Waterhouse Group reported a pre-tax loss of £74,543 in the year to September 30 on sales up 5 per cent at £2.79m.

At the interim stage the company, which fits out and refurbishes office interiors, suffered a pre-tax loss of £51,114 after exceptional redundancy costs of £24,560.

In 1992 a profit of £64,804 was achieved on sales of £2.64m.

On a per share basis the 1993 deficit was 2.9p, against earnings of 2.5p.

Martin Intl

Martin International Holdings, the clothing manufacturer, reported pre-tax losses of £2.25m for the year to December 31 after exceptional reorganisation costs of £1.94m. There were profits of £1.27m in 1992 after exceptionals of £664,000. The comparable figures have been restated in accordance with FRS 3.

Turnover totalled £85.4m (£83.4m) including £2.47m (£7.66m) from discontinued operations. Operating profits on continuing operations fell from £4.44m to £1.91m. Interest took £1.36m (£1.48m).

Losses per share amounted to 10.1p (2.8p earnings). A final dividend of 0.6p (2.7p) is proposed, cutting the total for the year to 1p (4.4p).

Murray Ventures

Murray Ventures, the investment trust, had a net asset value per share of 411p at January 31 against 312p a year earlier and 346.6p at the July 31 year end.

Net revenue for the six months to the end of January increased from £1.7m to £2.03m for earnings per share of 8.18p (5.87p). The interim dividend is raised from 3.4p to 3.5p.

Dunton cuts losses and makes £760,000 rights

Dunton Group, with interests in brickmaking, engineering and property, cut its pre-tax losses from £852,000 to £635,000 for the half year ended November 30 1993.

The USM-traded group is also calling for £760,000 net via a 1-for-3 underwritten rights issue at 6p a share to help reduce debt.

The balance of debt will be tackled via a restructuring arrangement with the group's bankers. Dunton said restructuring would leave it with totally ungeared properties and positive cash balances.

At the same time Mr Clive Travers has resigned as chairman and sold the majority of his shareholding to the directors and others. Mr David Williams, executive chairman of Mostac Investments and non-executive director of Waste Recycling, has been appointed a director and non-executive chairman of Dunton.

Turnover was £933,000 (£879,000) and interest charges came to £484,000 (£694,000). Losses per share emerged at 1.45p (1.73p).

Queens Moat wins extension

By Maggie Urry

Holders of Queens Moat Houses' two debentures have voted overwhelmingly to extend their waiver of the right to enforce their security, this time until the end of June.

At the same time, bank lenders to the hotel group, in discussions over a £1.3bn refinancing, extended the standstill agreement until May 27. The standstill had been due to expire on Thursday night.

Of the votes cast, 97.2 per cent of one group and 98.9 per cent of the other were in favour of the extension.

QMH hopes to publish its results for 1993 by the end of the coming week. Once these are available it aims to finalise details of its refinancing and put these to creditors and shareholders. When proposals have been accepted the group's shares, which have now been suspended for a year, are expected to be relisted.

The holders of the two debenture stocks – £200m of 10¾ per cent and £15m of 12 per cent first mortgage debentures – have rights over 27 hotels. These were valued at £137.5m on December 31 1992.

The trust deeds for the stock say that the properties must be worth at least 150 per cent of the nominal value of the stocks, and so there was a shortfall of £178.5m using that valuation.

QMH could not make up that shortfall by pledging further assets so the debenture holders were entitled to enforce the security. In November, meetings of the debenture holders agreed to waive this right until April 1 and it was this waiver that was extended at Thursday's meetings.

Interest payments on the 10¾ per cent stock, totalling £7.7m, were paid yesterday.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
African Lakes	fin	0.5	Jun 10	2	0.5	2
Ash & Lacy	fin	3.9	May 28	3.9	6.4	6.4
Boxmore	fin	2.75	May 23	2.53	4	3.68
Calor	fin	6.5	July 1	6	12.5	12
Martin Intl	fin	0.6	July 1	2.7	1	4.4
Murray Ventures	int	3.5	May 24	3.4	-	10.9p
Redland	fin	16.75	July 4	16.75	25	25

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock.

Renault beats forecasts with FFr1.07bn profit

By John Ridding in Paris

Renault, the French state-owned vehicle group, suffered a sharp fall in profits last year, but managed to achieve a net result of FFr1.07bn ($186m) despite the contraction in the European car market. Mr Louis Schweitzer, chairman, forecast improved earnings in the current year.

The result for last year, which compares with net profits of FFr5.68bn in 1992, was higher than most industry analysts had forecast. Mr Schweitzer said it demonstrated the competitiveness of the company in the midst of depressed markets, adding that few other European car manufacturers had managed to remain in profit through the recession.

The Renault chairman said the group was seeking to forge new industrial partnerships following last year's collapse of its plans to merge with Volvo. But he played down the prospect of a far-reaching alliance. "We need to develop limited co-operation agreements with competitors, like other players in the industry," he said.

Mr Schweitzer said talks were being held with Fiat of Italy, but denied a "global" agreement was being discussed. The negotiations are thought to include the sharing of foundry facilities. Renault dismissed the idea of plans to exchange engines with Fiat or to seek an alliance between RVI, its trucks and buses division, with the Italian group's Iveco truck operation.

Last year's profits were supported by financial income of FFr537m, compared with a charge of FFr43m in 1992, reflecting lower interest charges, and improved income from its financial subsidiaries. Reduced losses from its shareholding in Volvo, which has been partly unwound since the collapse of the merger, also helped earnings.

Mr Schweitzer's prediction of an improved performance this year is based on signs of recovery in the European vehicle market and continued cost-cutting and efficiency measures. Renault said that the French market had been strongly boosted by government measures which include the payment of FFr5,000 to car-owners who trade in a vehicle more than 10 years old to buy a new one. According to Mr Schweitzer, the measures could bring about 200,000 extra orders in the French market.

Turnover last year fell from FFr184.25bn to FFr169.79bn, after adjusting last year's figures for an accounting change which consolidated revenues from financial services. In unit terms, Renault sold 1.79m vehicles, a 12 per cent fall on 1992. In western Europe, sales of cars and light passenger vehicles fell 17 per cent to 1.39m, while market share slipped slightly from 11.3 per cent to 11.1 per cent.

Renault is one of the 21 companies slated for privatisation. The sale of the government's controlling stake, however, which had been forecast to take place this year has been pushed back until 1995.

Judge extends Trizec protection

By Bernard Simon in Toronto

Trizec, North America's biggest publicly-traded property developer, has gained another 24 days of court protection while it tries to convince creditors not to push it into bankruptcy.

An Alberta judge has given the Calgary-based company until April 25 to work out an agreement with the creditors, notably a group holding C$1.2bn (US$870m) of senior debentures. The two sides agreed that if they cannot bridge their differences by then, the number of days required for notice under bankruptcy laws will be reduced from 10 business days to one.

The debenture holders, many of whom are European investors, have rejected plans presented by Trizec last August to restructure part of its C$4.8bn debt. Repayment of the debentures fell due last autumn.

But Trizec announced an agreement earlier this week for a C$600m equity injection by Horsham, the Toronto investment company controlled by entrepreneur Mr Peter Munk. Horsham would end up with a stake of at least 43 per cent.

Trizec expects that the Horsham deal will enable it to offer the senior debenture holders a higher proportion of cash, in place of the securities included in its original proposal. Details of its revised offer have not yet been released. The debenture holders have so far dismissed the Horsham deal.

Bank Hapoalim net climbs sharply

By David Horovitz in Jerusalem

Bank Hapoalim, Israel's largest bank, has announced a 36.3 per cent increase in net profits to Shk374.3m ($126.4m) for 1993. Its net return on equity rose to 8.8 per cent, from 7 per cent in 1992.

Net profits in the fourth quarter of 1993 reached Shk162m, almost double their level in the corresponding period of 1992.

Mr Amiram Sivan, chief executive officer, attributed the improved performance to increased operating income from capital market activities, greater profitability at various bank subsidiaries and affiliates, and a reduction of 22.8 per cent in provision for doubtful debts. Operating income, given in dollar terms by the bank, rose 16.4 per cent to $588.6m due mainly to the expansion of diversified banking services in such areas as brokerage, underwriting and mutual and provident fund management.

Total consolidated assets increased by 2.3 per cent to $35.9bn.

Recovery at Paribas continues over year

By Alice Rawsthorn in Paris

Paribas, the leading French banking group, last year continued its recovery with a 64 per cent increase in net profits to FFr1.45bn ($253m) from FFr886m in 1992.

Mr André Lévy-Lang, chairman, said the group, which fell into the red in 1991, benefited last year from a strong performance in market trading activities and also from its US and Asian banking interests. However, he added that it had continued to be adversely affected by the European recession.

The group mustered a 13 per cent increase in operating income to FFr32.68bn in 1993 from FFr28.96bn in 1992. Net banking income rose far faster, despite the sluggish state of the French market, with a 21 per cent rise over the same period to FFr31.31bn from FFr25.88bn. However, revenue from other sources fell by 56 per cent to FFr1.37bn from FFr3.08bn mainly due to a reduction in asset sales.

Gross operating profits rose by 16 per cent to FFr13.08bn from FFr11.28bn. However, Paribas was again forced to make hefty provisions on its non-performing property and industrial investments.

The level of operating provisions was 15 per cent higher in 1993 at FFr8.78bn against FFr7.65bn in 1992. Paribas said that it had made particularly heavy write-downs on its industrial investments in France, Belgium, Switzerland and Italy. The board proposed holding the net dividend at FFr12 a share.

Saint Louis slips

Groupe Saint Louis, the French industrial group with interests in sugar and paper, saw net profits slip to FFr717m last year, from FFr774m in 1992, writes John Ridding.

The company showed that the relative stability of its results demonstrated its resilience in the face of a deterioration in the European economy last year and the effects of strong price competition.

Foreign side boosts Deutsche Bank

By Christopher Parkes in Frankfurt

Deutsche Bank's expanding foreign business and sharp growth in returns from trading on its own account were the main contributors to its 23 per cent increase in net earnings last year, according to Mr Hilmar Kopper, chairman.

Forecasting a similar result of DM2.2bn ($1.3bn) after tax for the current financial year, he said foreign profits rose 63 per cent in 1993. Deutsche Bank AG, the parent company, had "quite a bad year" in its domestic operations, where net earnings were virtually unchanged at DM1.4bn.

Operating profits for the first two months, excluding risk provisions, were about level with the same period last year, Mr Kopper said at a press conference.

"The group made good progress in its efforts to offset risk through regional and sectoral diversification," he said in a review of last year.

The chairman, repeating earlier warnings that the banking system was typically worst affected at the end of a recession and well into the upturn, said provisions against bad debts had increased 72 per cent to DM3.3bn. Almost the entire amount had been set aside against risks in Germany.

However, sprightly economic recovery abroad and growing business in currencies and securities compensated for some of the domestic difficulties. The Morgan Grenfell group generated DM439m in earnings, and the Banca d'America e d'Italia made DM314m, Mr Kopper said. As reported earlier, DB Luxembourg generated DM633m pre-tax partly from a heavy flow of funds out of Germany prompted by the introduction of a withholding tax last year.

Profits from own account trading rose 76 per cent to DM2bn, including a DM400m contribution from derivatives, which Mr Kopper stoutly defended against recent international criticism.

The debate about derivatives had obscured their main purpose as a hedge against risks. "A bank that fails to exploit the full range of opportunities is not doing its job properly," he said.

Hilmar Kopper: 'Progress in efforts to offset risk'

Net commission income rose 26 per cent to DM5.8bn, while net interest earnings rose 7.4 per cent to DM11.7bn. The group's net interest margin narrowed further from 2.30 per cent to 2.21 per cent, and from 2.57 per cent to 2.49 per cent at the parent company.

This proved that charges that the bank was not passing on rate reductions were unfounded, Mr Kopper said. He also pointed out that the group had invested DM4bn in eastern Germany, and had yet to make any profits there, but it was not complaining.

By rule-of-thumb reckoning, earnings from the former GDR might start flowing in two or three years, he added.

Summarising last year's results, Mr Kopper confirmed group operating profits rose 16 per cent to DM5.3bn after risk provisions, while operating expenses increased 12.6 per cent to DM11.7bn. Excluding first-time consolidations, the rise was 6.5 per cent, he said.

Deutsche announced earlier this week a DM1.50 dividend increase to DM16.50 per share. Including tax credits the payout will give domestic shareholders DM23.57, compared with DM23.44 last time.

La Générale posts 40% increase

By Gillian Tett in Brussels

Société Générale de Belgique, the diversified Belgian holding company, posted an increase of 40 per cent in its net profit last year. Total net profit for the group was BFr8.7bn ($1.5bn), up from BFr6.2bn the previous year.

The group said that part of the increase in profit had been due to the sale last year of its 18.4 per cent stake in Union Minière, the Belgian mining group, and 42.2 per cent stake in the cement group CBR. This had contributed to the BFr2.3bn of exceptional profits last year.

But the improved performance of service companies such as Générale Bank, Tractabel and AG Group, in which Générale holds significant shares, had also contributed to its overall profit, the group added.

Speaking in Brussels, Mr Etienne Davignon, president of the Générale group, was upbeat about the prospects for 1994, after a series of years which have seen the holding company prune a number of its financial assets.

"In spite of all the gloomy predictions, we estimate that the group could see in 1994 results at least as good as 1993, due to the new balance of our portfolio, the good position of our enterprises and the health of our financial structures," he said.

The group has proposed a dividend of BFr85 per share, compared with BFr84 last year, and a one-for-10 bonus share issue.

Mitsubishi Bank bails out units

By Emiko Terazono in Tokyo

Mitsubishi Bank, a leading Japanese commercial bank, announced a Y91bn ($580m) rescue package to help its troubled finance subsidiaries.

The bank will give up some of its loan claims and forgo interest on Y330bn in loans made to Daimond Teito Shoken and Diamond Factor. The subsidiaries face mounting debts due to the prolonged recession and further falls in land prices.

However, Mitsubishi said the measures would not affect its profits for the year ended in March as the bailout would be financed through equity sales.

Meanwhile, Standard and Poor's, the credit rating agency, downgraded the long-term debt rating of Mitsubishi from AA to AA-, and that of Sumitomo Bank and the Bank of Tokyo from AA- to AA+ due to continued bearishness over the banks' asset conditions.

Metallgesellschaft scheme approved

By Michael Lindemann in Frankfurt

Shareholders in Metallgesellschaft approved the second phase of a rescue package for the beleaguered German metals group after a stormy annual meeting which focused mainly on alleged shortcomings of the supervisory board.

Mr Kajo Neukirchen, chief executive, called on shareholders to approve the issue of profit-sharing certificates with a value of up to DM111m ($66m), after they had voted through a DM3.4bn rescue package at an extraordinary meeting in February.

Mr Neukirchen, one of Germany's best-known company doctors, was appointed when the group almost collapsed in December, after its US operation lost DM2.3bn in oil futures trading.

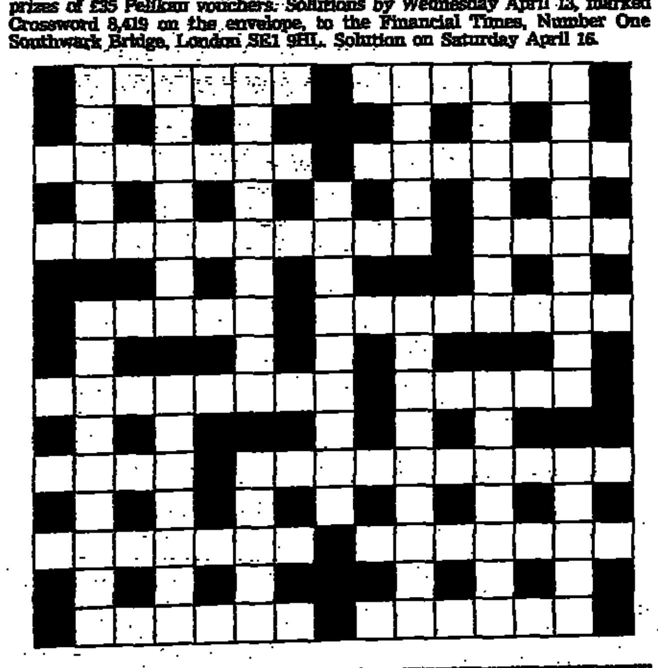
Many shareholders lambasted Mr Ronaldo Schmitz, chairman of the supervisory board, for failing to safeguard against the huge exposure the group had in oil futures, an activity Mr Schmitz said he did not know about.

Meanwhile, Metallgesellschaft said this week that the pressing need to cut costs meant it was withdrawing its 49 per cent stake in South East Asia Metals Company, a joint venture with the Thai group Padaeng Industry to build a smelting works.

CROSSWORD

No. 8,419 Set by FETTLER

A prize of a classic Pelikan Souverän 800 fountain pen, inscribed with the winner's name for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers. Solutions by Wednesday April 13, marked Crossword 8,419 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday April 16.



Name

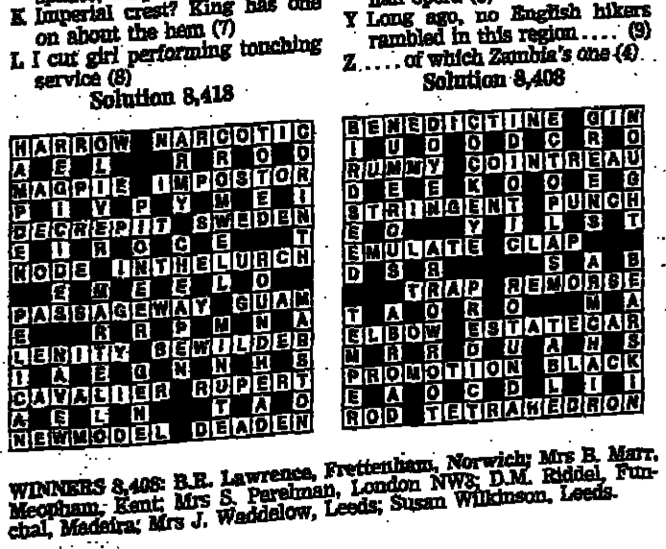
Address

ALPHABETICAL JIGSAW: Solve the clues and insert the answers in the grid where they will fit

A Shapeless mush – a poor do (9)
B Such as oyster and vegetable starter's viable, when well cooked (7)
C Being cold about craft work, left out reference to cigarette-card collecting (10)
D One involved in calls for coarse paintings (5)
E Turned to hard exercise, held in the open air (6)
F This, threadlike, lies about our spinning (7)
G Garden cultivated oriental pineapple (7)
H We Scots, engaged in English country dance? Nonsense! (5)
I Backing 101 to 1 and 500 to 1 is stupid (7)
J Such cards! Change hearts to spades, chaps (7)
K Imperial crest? King has one on about the hem (7)
L I cut girl performing touching service (8)
M Extra terrestrial visitor making little impact (5-9)
N Places, where HP drops, must be imaginary (5-5,5)
O Betty Boothroyd? (7)
P Commonly call for elementary speech sound (5)
Q A set of five, St Thomas made into trees (11)
R Lifeguard or sapper's one in line we hear (7)
S The acting fraternity wand where they work (5,3)
T Is a pewter shaped conically? (9)
U Major or Minor runs in North America (4)
V Tending to abuse fiddle, having played "vite" (9)
W Barge the lady in the wrong direction (6)
X Porn king returned in Handelian opera (6)
Y Long ago, no English hikers rambled in this region .... (9)
Z .... of which Zambia's one (4)

Solution 8,418

Solution 8,408



WINNERS 8,408: B.R. Lawrence, Frettenham, Norwich; Mrs B. Marr, Meopham, Kent; Mrs S. Perelman, London NW3; D.M. Riddel, Funchal, Madeira; Mrs J. Waddelow, Leeds; Susan Wilkinson, Leeds.

TANJONG PUBLIC LIMITED COMPANY

(Incorporated in England No. 210874)

NOTICE OF PROPOSED FINAL DIVIDEND AND CLOSURE OF BOOKS

NOTICE IS HEREBY GIVEN that a final dividend of 3.4 sen per share (after having taken account of Malaysian Income Tax at 32%) in respect of the financial year ended 31 January 1994 has been recommended by the Directors for approval by the members at the Sixty-Seventh Annual General Meeting of the Company. The dividend, if approved, will be paid on 12 August 1994 to shareholders on record of the Company at the close of business on 14 July 1994.

The Register of Members of the Company will be closed from 15 July 1994 to 21 July 1994 (both dates inclusive) for the purpose of determining shareholders' entitlement to the dividend.

Registrable transfers received by the Company's Branch Registrars in Malaysia, Signet & Co. Sdn Bhd, at 1802, 18th Floor, Pernas International Building, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia, and the Company's Principal Registrars in the United Kingdom, Independent Registrars Group Limited, at Broseley House, Newlands Drive, Witham, Essex CM8 2UL, up to the close of business at 5.00 p.m. on 14 July 1993 will be registered before entitlements to the dividend are determined.

BY ORDER OF THE BOARD

David Kook
Sinagamy Ramasamy
Joint Secretaries

31 March 1994

17th Floor Menara Boustead
Jalan Raja Chulan 50200 Kuala Lumpur
Malaysia

COMMODITIES AND BOND PRICES

WEEK IN THE MARKETS

S African worries lift platinum

Platinum was the main beneficiary of a wave of buying that lifted precious metals prices in early trading on Thursday following the declaration of a state of emergency in South Africa.

The London afternoon price fixing for the white metal – 70 per cent of which is produced in South Africa – was at $418 a troy ounce, up $8.50 from Wednesday and only $1 short of the 2½-year high reached last August.

The price was later trimmed by profit-taking but traders thought the bull run still had some fuel in the tank. "We are powering towards $420, although we may not see it today," one dealer told the Reuter news agency.

He added that there was no sense in going short of platinum ahead of the elections being held in South Africa later this month.

The gold market also responded to deepening concern about the situation in South Africa, but with the same lack of conviction that characterised its attempt on Monday to break resistance above $392 an ounce. Having faltered again on Thursday morning at $390 the price was fixed in the afternoon at $389.20 an ounce and closed at $389.75, up 35 cents on the week.

Silver fared rather better. The 15-cent retracement that followed the abandonment on Tuesday of speculators' attempts to drive the price to $6 an ounce was all but recouped on Thursday morning; and at the London close it still stood at $5.71¼ an ounce, up 1 cent from last Friday but 3¾ cents below the 4-year high that it had reached earlier last week.

At the London Metal Exchange speculators turned against the copper market in mid-week, eliminating most of the recent $80-plus rally. The metal's three months position closed on Thursday at $1,888.25 a tonne, $8.25 off the day's low but still $68.50 down on the week.

The fall, most of which was suffered on Wednesday, came as little surprise to big copper consumers and merchants, who had been waiting for a "technical correction", said Mr Ted Arnold, metals specialist at the Merrill Lynch financial services group.

"They were hoping the market would cool down a bit during the summer," he explained, "and were anxiously waiting to buy any and all price dips down from 86 cents a pound [$1.895 a tonne] to 80 cents [$1,763]."

With demand for copper strong in the US and picking up in Europe and supply becoming "something of a problem", he doubted that the price would go much below the latter level in 1994 and thought it should be back at 95 cents by the end of the year.

Aluminium's supply/demand balance has also been improving and that helped the LME market to show more resilience to speculative sales this week than copper. The three months price closed on Thursday at $1,314.50 a tonne, down $18 on the week.

US sellers sparked a big shake-out in the cocoa market, although there were no significant fundamental developments to justify the fall. At the London Commodity Exchange the May futures position touched £882 a tonne before ending at £893, down £40 on the week.

The Organisation of Petroleum Exporting Countries' decision last weekend to leave its output ceiling where it was appeared to be taken as the signal for traders to unload the cover they had taken against the outside possibility that the ministers would this time grasp the nettle of over-production.

In consequence the June delivery position at London's International Petroleum Exchange was quoted at $13.38 a barrel in late trading on Thursday day, down 58 cents on the week.

Richard Mooney

WEEKLY PRICE CHANGES

	Latest prices	Change on week	Year ago	1993/1994 High	1993/1994 Low
Gold per troy oz.	$389.75	+0.35	$339.75	$405.75	$326.05
Silver per troy oz	384.50p	+3.00	262.50p	385.50p	236.00p
Aluminium 99.7% (cash)	$1290.5	-18.5	$1125.5	$1323.50	$1023.50
Copper Grade A (cash)	$1876.5	-70.0	$1411.0	$2375.00	$1106.50
Lead (cash)	$445.0	-7.5	$274.00	$510.50	$361.50
Nickel (cash)	$5580.0	-95.0	$6075.0	$6340	$4043.5
Zinc SHG (cash)	$934.5	-11.5	$998.0	$1112	$868.0
Tin (cash)	$5425.0	-30.0	$5625.0	$6047.5	$4340.0
Cocoa Futures May	£893	-40	£692.0	£1061	£663
Coffee Futures May	$1360	+2	$839.0	$1360	$836
Sugar (LDP Raw)	$289.50	-6.70	$295.0	$317.4	$204.6
Barley Futures Sep	£94.50	+0.30	£106.75	£110.30	£93.85
Wheat Futures Jun	£111.45	+2.55	£144.70	£149.45	£97.20
Cotton Outlook A Index	82.85c	+0.55	60.50c	82.85c	54.15c
Wool (64s Super)	392p	-	357p	403p	319p
Oil (Brent Blend)	$13.28x	-0.63	$19.04	$19.53	$13.02

Per tonne unless otherwise stated. p Pence/kg. c Cents lb. x May.

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1290-1	1314-5
Previous	1287-8	1320-1
High/low		1317/1308
AM Official	1292.5-3	1316.5-7
Kerb close		1308.5-9
Open int.	269,079	
Total daily turnover	51,674	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1272-5	1288-90
Previous	1285-90	1295-300
High/low		1298/1290
AM Official	1280-1	1295-7
Kerb close		1287-90
Open int.	4,849	
Total daily turnover	450	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	444.5-5.5	457.5-8
Previous	448.5-9.5	462-3
High/low		466/457
AM Official	444.5-5.5	459-60
Kerb close		460-1
Open int.	36,338	
Total daily turnover	5,204	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	5575-85	5640-5
Previous	5530-5	5592-5
High/low		5660/5590
AM Official	5570-5	5630-5
Kerb close		5660-5
Open int.	48,906	
Total daily turnover	8,726	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5420-30	5470-80
Previous	5410-20	5465-70
High/low	5410	5470/5460
AM Official	5405-10	5460-5
Kerb close		5450-60
Open int.	19,104	
Total daily turnover	3,575	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	934-5	954-5
Previous	939.5-40.5	960-0.5
High/low		958/950
AM Official	937-8	957-7.5
Kerb close		956-7

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.500	08/03	110.2800	–0.270	7.92	7.17	6.96
Belgium		7.250	04/04	100.6200	+0.520	7.16	7.38	7.10
Canada *		6.500	06/04	89.9000	–	7.97	7.56	6.78
Denmark		7.000	12/04	100.4500	–	6.93	6.94	6.73
France	BTAN	8.000	05/98	107.2800	+0.280	5.76	5.76	5.42
	OAT	5.500	04/04	93.0500	+0.670	6.46	6.60	6.38
Germany		6.000	09/03	97.8600	+0.190	6.30	6.28	6.29
Italy		8.500	01/04	97.7700	+1.660	8.84†	9.37	9.55
Japan	No 119	4.800	06/99	106.3060	+0.230	3.38	3.52	3.68
	No 157	4.500	06/03	104.2080	+0.910	3.88	4.14	3.87
Netherlands		5.750	01/04	95.5600	+0.760	6.37	6.54	6.24
Spain		10.500	10/03	108.0000	–	9.19	8.94	8.78
UK Gilts		6.000	08/99	95–08	+16/32	7.08	7.05	6.52
		6.750	11/04	94–22	+32/32	7.49	7.76	7.18
		9.000	10/08	111–18	+36/32	7.67	7.82	7.33
US Treasury *		5.875	02/04	93–04	–15/32	6.84	6.60	6.32
		5.875	02/04	93–24	+7/32	6.75	6.50	6.00
ECU (French Govt)		6.000	04/04	93.7500	+0.500	6.88	6.94	6.91

London closing. *New York closing. Yields: Local market standard.
† Gross annual yield (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

ECONOMIC DIARY – FORWARD EVENTS

TODAY: Maghreb Arab Union leaders hold summit meeting in Tunis (until April 3).

TOMORROW: US clocks go forward one hour.

MONDAY: Easter Monday - most European markets closed.

TUESDAY: US leading indicators (February): wholesale trade (February). Mr P.V. Narashima Rao, Indian prime minister, opens nine-day meeting of the Economic and Social Commission for Asia and the Pacific (ESCAP) (until April 13). International trade fair opens in Hanoi (until April 9). Communications Tokyo 94 opens in Tokyo (until April 8).

WEDNESDAY: UK official reserves (March). Full monetary statistics (including bank and building society balance sheets) (February); M0 figures (March-provisional). Bill turnover statistics (February). Official operations in the money markets (February). Lending secured on dwellings (February). Sterling commercial paper (February). Sterling certificates of deposit (February). Government deficit and debt under the Maastricht Treaty. French National Assembly debates Gatt agreement in Paris.

THURSDAY: Details of employment, unemployment, earnings, prices and other indicators. Index of production (February). Advance energy statistics (February). Housing starts and completions (February). House renovations (fourth quarter). US capital spending (fourth quarter 1993); consumer credit (February). Mr Douglas Hurd, foreign secretary, visits Brasilia (until April 8). Mr Edouard Balladur, French prime minister, starts three-day visit to China. BP and Lloyds Bank hold annual meetings.

FRIDAY: Cyclical indicators for the UK economy (February). Start of two-day informal meeting of the European Union's financial and economic council in Athens. Indian bank and financial institution employees are expected to stage a one-day strike. Sir Patrick Mayhew, secretary of state for Northern Ireland, gives special lecture on political developments in Northern Ireland to the Centre of International Studies in Toronto.

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
108	2-08	2-33	1-60	3-19
109	1-42	2-06	2-30	3-56
110	1-16	1-47	3-04	4-33

Est. vol. total, Calls 4203 Puts 2847. Previous day's open int., Calls 89716 Puts 73007

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	89.66	90.12	+0.52	90.26	89.66	2,245	6,070

FT-ACTUARIES FIXED INTEREST INDICES

UK Gilts Price Indices	Fri Mar 31	Day's change %	Thur Mar 30	Accrued interest	xd adj yield
1 Up to 5 years (24)	125.02	+0.52	124.37	2.00	2.68
2 5-15 years (23)	148.79	+0.84	147.56	1.78	4.03
3 Over 15 years (9)	168.23	+0.91	166.72	1.64	3.59
4 Irredeemables (6)	194.85	+2.09	190.88	3.55	1.47
5 All stocks (62)	145.26	+0.76	144.17	1.87	3.48

Yields	Low coupon Mar 31	Mar 30	Yr ago	High	Low	Medium coupon Mar 31	Mar 30	Yr ago	High
5 yrs	7.10	7.28	6.73	7.35 (29/3*)	5.57 (31/12)	7.33	7.52	6.99	7.59 (29/3*)
15 yrs	7.59	7.70	7.77	7.87 (29/3*)	6.26 (31/12)	7.70	7.78	8.22	7.97 (29/3*)
20 yrs	7.68	7.79	8.03	7.96 (29/3*)	6.37 (31/12)	7.70	7.78	8.37	7.98 (29/3*)
Irred.†	7.80	7.96	8.40	8.06 (25/3*)	6.52 (24/1*)				
Index-linked (Inflation rate 5% / 10%)									
Up to 5 yrs	3.21	3.19	2.26	3.21 (31/3*)	2.04 (31/12)	2.29	2.25	1.38	2.29 (31/3*)
Over 5 yrs	3.41	3.42	3.40	3.48 (25/3*)	2.86 (31/12)	3.23	3.24	3.22	3.30 (25/3*)
Debs & loans (5 years / 15 years)	8.70	8.63	8.51	8.99 (29/3*)	7.03 (31/12)	8.75	8.94	9.26	9.94 (19/1*)

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; …

FT FIXED INTEREST INDICES

	Mar 31	Mar 30	Mar 29	Mar 28	Mar 25	Yr ago	High*	Low*
Govt. Secs. (UK)	[illegible]	96.64	95.97	96.81	96.30	96.86	107.60	93.28
Fixed Interest	[illegible]	115.14	115.45	117.78	117.53	112.67	133.87	112.94

… high since compilation: 127.40 (8/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation … SE activity indices rebased 1974

CURRENCIES AND MONEY

MARKETS REPORT

Dollar rises

The dollar rose sharply in New York yesterday after the release of strong jobs data renewed speculation of a near term tightening in US monetary policy, *writes Philip Gawith.*

The March non-farm payroll rose by 456,000, roughly double market expectations, and the largest such rise since a gain of 556,000 jobs in October 1987.

The dollar rose more than two pfennigs on the news from DM1.6770 to DM1.6980, before slipping back below DM1.6950 in late morning trading. It was also higher against the yen trading above Y103.60. Volumes were very thin on account of the Easter break.

Activity in foreign exchanges was otherwise very subdued with most markets closed for the long weekend.

Although the initial view of the US jobs figures was that they supported an early tightening, a closer look suggested a more complicated picture. Mr Lacy Hunt, chief US economist at Midland Global Markets in New York, said the labour market was in fact weaker than the headline figure suggested.

Citing the low rate of growth in hourly earnings, and the deflationary effect of jobs growth in low-paying service jobs, he suggested an early or dramatic move from the Fed was unnecessary.

■ The D-Mark finished generally weaker in Europe on Thursday with evidence of position-squaring ahead of the Easter break. The largest move came from the Italian lira which rose on hopes that an Italian government might be formed sooner than expected.

After closing on Thursday ten lira firmer in London at L963.3 against the D-Mark, the lira rose further yesterday to L959.75 after reports of a successful meeting between Mr Silvio Berlusconi, the victorious Freedom Alliance leader, and his alliance partner, the Northern League.

Elsewhere on Thursday, the Bank of France cut its intervention rate by ten basis points to 5.90 per cent - the second such cut in the week. The franc ended slightly firmer, at FFr3.414 to the D-Mark from FFr3.419 on Wednesday.

The escudo ended firmer, at Es102.7 from Es103.2, after the Bank of Portugal lent support to the ailing currency by raising its emergency lending rate to 13 per cent from 11 per cent.

German call money rates fell sharply on Thursday to 5.25/6.00 per cent, from 6.75 per cent on Wednesday as tight end-of-month conditions eased.

In the futures market the June euromark contract firmed by three basis points to 94.55. The December contract rose nine basis points to 95.00.

■ Sterling weakness persisted on Thursday with the UK currency finishing at DM2.4785 against the D-Mark from DM2.4829. It was slightly firmer against the dollar finishing at $1.4846, but lost a cent in thin trade yesterday to trade below $1.4750.

There was better news in the futures market where bullish comments by the chancellor Mr Kenneth Clarke about growth and inflation prospects revived hopes of an early cut in interest rates. The June short sterling future finished one basis point firmer at 94.53 while the December contract was seven basis points higher at 94.03.

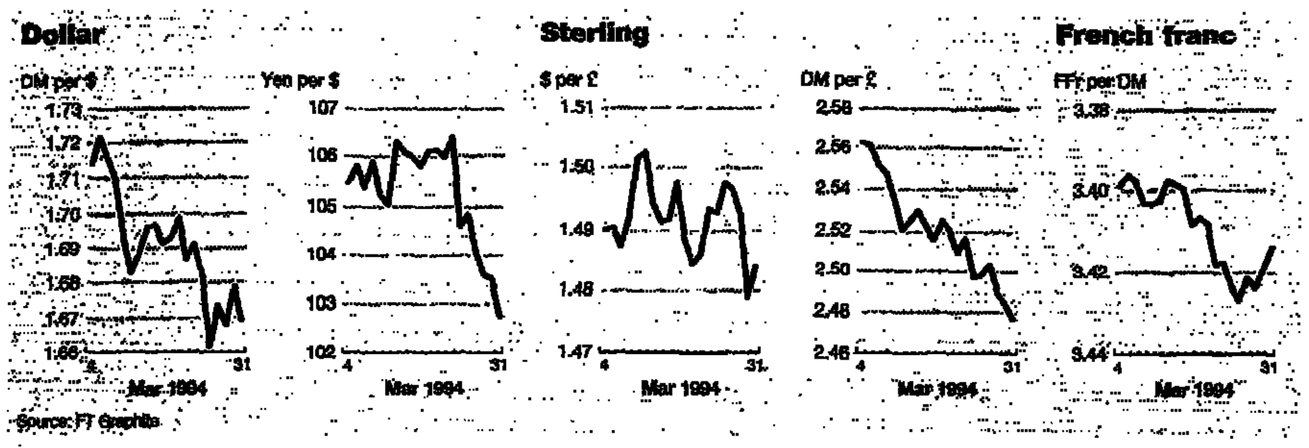
In the discount market the Bank of England moved quickly to remove a large £1.95bn shortage with two early rounds of assistance.

■ Pound in New York

Apr 1	— Close —	— Prev. close —
£ spot	1.4740	1.4795
1 mth	1.4721	1.4776
3 mth	1.4691	1.4742
1 yr	1.4623	1.4656

■ OTHER CURRENCIES

Mar 31	£	$
Hungary	152.353 - 152.573	102.650 - 102.758
Iran	2581.00 - 2587.00	1748.00 - 1750.00
Kuwait	0.4405 - 0.4415	0.2968 - 0.2973
Poland	32629.0 - 32844.5	22119.0 - 22119.0
Russia	2590.63 - 2605.48	1745.00 - 1755.00
U.A.E.	5.4507 - 5.4537	3.6715 - 3.6735



POUND SPOT FORWARD AGAINST THE POUND

Mar 31		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.4791	+0.0069	713 - 869	17.4936	17.4082	17.4753	0.3	17.4697	0.2	-	-	113.4
Belgium	(BFr)	51.0812	-0.0856	416 - 207	51.2035	50.9832	51.1262	-1.1	51.2012	-0.9	51.4012	-0.6	114.9
Denmark	(DKr)	9.7425	-0.0303	365 - 484	9.7733	9.7240	9.7527	-1.3	9.766	-1.0	9.7757	-0.3	114.6
Finland	(FM)	8.1061	-0.0529	967 - 174	8.1940	8.0810	-	-	-	-	-	-	81.5
France	(FFr)	8.4640	-0.0249	592 - 687	8.4881	8.4501	8.4707	-0.9	8.4844	-1.0	8.5003	-0.4	108.0
Germany	(DM)	2.4785	-0.0044	771 - 798	2.4880	2.4734	2.4797	-0.6	2.4808	-0.4	2.472	0.3	123.3
Greece	(Dr)	365.719	-0.186	262 - 176	368.533	364.918	-	-	-	-	-	-	-
Ireland	(I£)	1.0331	-0.0035	318 - 344	1.0375	1.0318	1.0338	-0.8	1.0351	-0.8	1.04	-0.7	102.5
Italy	(L)	2389.04	-29.24	682 - 926	2416.28	2384.02	2394.24	-3.1	2407.14	-3.2	2452.84	-2.7	77.8
Luxembourg	(LFr)	51.0812	-0.0856	416 - 207	51.2035	50.9832	51.1262	-1.1	51.2012	-0.9	51.4012	-0.6	114.9
Netherlands	(Fl)	2.7862	-0.0051	844 - 880	2.7923	2.7791	2.7867	-0.2	2.7865	0.0	2.7841	0.1	118.5
Norway	(NKr)	10.7839	-0.0288	793 - 885	10.8241	10.7609	10.7783	0.6	10.7906	-0.3	10.782	0.0	84.7
Portugal	(Es)	254.676	-1.696	392 - 957	258.314	253.427	255.65	-4.6	257.595	-4.6	-	-	-
Spain	(Pta)	202.084	-0.865	925 - 249	202.737	201.568	202.589	-3.0	203.574	-2.9	207.034	-2.4	85.4
Sweden	(SKr)	11.6053	-0.0589	969 - 136	11.6587	11.5969	11.6263	-2.2	11.6623	-2.0	11.7813	-1.5	76.4
Switzerland	(SFr)	2.0916	-0.0131	903 - 928	2.1085	2.0871	2.09	0.9	2.0855	1.2	2.0588	1.6	118.5
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.2
Ecu	-	1.2854	-0.0037	846 - 862	1.2894	1.2834	1.2866	-1.1	1.2886	-1.0	1.2918	-0.5	-
SDR†	-	0.954074	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.4845	+0.007	841 - 849	1.4860	1.4796	-	-	-	-	-	-	-
Brazil	(Cr)	1355.90	+5.04	557 - 622	1357.00	1351.00	-	-	-	-	-	-	-
Canada	(C$)	2.0525	+0.0142	516 - 533	2.0551	2.0413	2.0514	0.6	2.0512	0.3	2.0561	-0.2	86.8
Mexico	(New Peso)	4.9849	+0.019	795 - 902	4.9902	4.9723	-	-	-	-	-	-	-
USA	($)	1.4846	+0.0056	842 - 849	1.4865	1.4796	1.4827	1.5	1.4792	1.4	1.4707	0.9	65.5
Pacific/Middle East/Africa													
Australia	(A$)	2.1178	+0.0061	158 - 198	2.1201	2.1068	2.1169	0.8	2.114	0.7	2.112	0.3	-
Hong Kong	(HK$)	11.4723	+0.0455	692 - 753	11.4838	11.4321	11.4593	1.4	11.4538	0.6	11.4048	0.6	-
India	(Rs)	46.5703	+0.1741	558 - 850	46.6150	46.4190	-	-	-	-	-	-	-
Japan	(Y)	152.538	-0.524	427 - 648	153.210	152.040	152.178	2.8	151.338	3.1	147.803	3.1	189.5
Malaysia	(M$)	3.9660	+0.0119	636 - 684	3.9803	3.9552	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.6413	+0.0065	390 - 436	2.6436	2.6262	2.6442	-1.3	2.6485	-1.1	2.6571	-0.6	-
Philippines	(Peso)	40.9368	+0.1531	671 - 060	41.5109	40.0661	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.5675	+0.0209	658 - 691	5.5729	5.5491	-	-	-	-	-	-	-
Singapore	(S$)	2.3300	+0.0079	287 - 313	2.3317	2.3205	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.1674	+0.0212	650 - 697	5.1716	5.1422	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	7.2966	+0.0199	874 - 057	7.3822	7.2280	-	-	-	-	-	-	-
South Korea	(Won)	1198.26	+4.56	790 - 861	1199.43	1194.33	-	-	-	-	-	-	-
Taiwan	(T$)	39.0734	+0.0722	493 - 974	39.1100	39.0100	-	-	-	-	-	-	-
Thailand	(Bt)	37.4552	+0.14	315 - 789	37.4790	37.3450	-	-	-	-	-	-	-

†SDR rate for Mar 30. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Mar 31		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	11.7740	-0.0395	715 - 765	11.7915	11.7360	11.7925	-1.9	11.8212	-1.6	11.8327	-0.5	103.2
Belgium	(BFr)	34.4085	-0.187	900 - 270	34.5300	34.3750	34.4885	-2.8	34.6035	-2.3	34.8685	-1.3	104.5
Denmark	(DKr)	6.5626	-0.0451	601 - 650	6.5960	6.5592	6.5784	-2.9	6.6029	-2.5	6.6456	-1.3	103.3
Finland	(FM)	5.4616	-0.0563	566 - 666	5.5310	5.4355	5.4683	-1.5	5.4761	-1.1	5.4878	-0.5	75.6
France	(FFr)	5.7014	-0.0382	995 - 032	5.7290	5.6985	5.7139	-2.6	5.7364	-2.5	5.7784	-1.4	104.5
Germany	(D)	1.6695	-0.0093	690 - 700	1.6768	1.6680	1.6724	-2.1	1.6771	-1.8	1.6809	-0.7	105.0
Greece	(Dr)	246.350	-1.05	100 - 600	246.990	245.970	249.65	-16.1	257.1	-17.5	284.6	-15.5	70.3
Ireland	(I£)	1.4370	+0.0101	355 - 385	1.4385	1.4299	1.434	2.5	1.4286	2.4	1.4136	1.6	-
Italy	(L)	1608.80	-25.8	815 - 904	1630.75	1607.25	1616.05	-4.8	1627.50	-4.7	1667.35	-3.7	77.3
Luxembourg	(LFr)	34.4085	-0.187	900 - 270	34.5300	34.3750	34.4885	-2.8	34.6035	-2.3	34.8685	-1.3	104.5
Netherlands	(Fl)	1.8768	-0.0105	760 - 776	1.8844	1.8739	1.8795	-1.8	1.8835	-1.4	1.8878	-0.6	103.9
Norway	(NKr)	7.2641	-0.0467	627 - 655	7.3046	7.2601	7.2768	-2.1	7.3001	-2.0	7.3391	-1.0	95.0
Portugal	(Es)	171.550	-1.75	400 - 700	172.800	170.750	172.465	-6.4	174.08	-5.9	179.225	-4.5	92.6
Spain	(Pta)	136.125	-1.095	050 - 200	136.800	136.020	136.655	-4.7	137.635	-4.4	140.725	-3.4	80.6
Sweden	(SKr)	7.8174	-0.0692	136 - 211	7.8738	7.8139	7.8424	-3.8	7.8852	-3.5	8.0084	-2.4	81.2
Switzerland	(SFr)	1.4089	-0.0141	084 - 094	1.4195	1.4065	1.4097	-0.7	1.4101	-0.3	1.4014	0.5	104.1
UK	(£)	1.4846	+0.0056	842 - 849	1.4865	1.4786	1.4827	1.5	1.4792	1.4	1.4707	0.9	88.3
Ecu	-	1.1550	+0.0076	545 - 555	1.1561	1.1491	1.1524	2.8	1.1479	2.5	1.139	1.4	-
SDR†	-	1.40974	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0000	+0.001	999 - 000	1.0000	0.9999	-	-	-	-	-	-	-
Brazil	(Cr)	913.340	-0.02	335 - 345	913.335	913.345	-	-	-	-	-	-	-
Canada	(C$)	1.3826	+0.0044	823 - 828	1.3845	1.3780	1.3838	-1.0	1.3869	-1.2	1.3976	-1.1	83.7
Mexico	(New Peso)	3.3578	+0.0002	550 - 606	3.3606	3.3550	3.3586	-0.4	3.3606	-0.3	3.368	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	100.5
Pacific/Middle East/Africa													
Australia	(A$)	1.4266	+0.0002	255 - 276	1.4302	1.4225	1.4279	-1.1	1.4325	-1.7	1.4432	-1.2	85.9
Hong Kong	(HK$)	7.7278	+0.0018	275 - 280	7.7280	7.7261	7.7308	-0.5	7.7368	-0.5	7.7616	-0.4	-
India	(Rs)	31.3700	-	675 - 725	31.3725	31.3700	31.485	-2.5	31.57	-2.6	-	-	-
Japan	(Y)	102.750	-0.74	700 - 800	103.450	102.500	102.64	1.3	102.335	1.6	100.44	2.2	-
Malaysia	(M$)	2.6850	-0.002	840 - 860	2.6880	2.6690	2.678	3.1	2.6825	3.4	2.725	-1.5	-
New Zealand	(NZ$)	1.7792	-0.0022	781 - 803	1.7832	1.7740	1.7804	-0.8	1.7849	-1.3	1.8068	-1.6	-
Philippines	(Peso)	27.5750	-	000 - 500	27.7500	27.4000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7503	-	500 - 505	3.7504	3.7502	3.751	-0.2	3.7533	-0.3	3.7648	-0.4	-
Singapore	(S$)	1.5695	-0.0005	690 - 700	1.5697	1.5682	1.5689	0.5	1.5684	0.3	1.567	0.2	-
S Africa (Com.)	(R)	3.4808	+0.0013	800 - 815	3.4870	3.4685	3.4973	-5.7	3.5233	-4.9	3.6163	-3.9	-
S Africa (Fin.)	(R)	4.9150	-0.005	100 - 200	4.9425	4.8775	4.949	-8.3	5.009	-7.7	-	-	-
South Korea	(Won)	807.150	+0.05	100 - 200	807.500	806.800	810.15	-4.5	813.65	-3.2	832.15	-3.1	-
Taiwan	(T$)	26.3200	-0.05	100 - 300	26.3600	26.3200	26.3855	-3.0	26.486	-2.5	-	-	-
Thailand	(Bt)	25.2300	-	200 - 400	25.2300	25.2400	25.31	-3.8	25.435	-3.3	25.955	-2.9	-

†SDR rate for Mar 30. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan indices shown for Mar 31. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Mar 31		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.07	16.57	4.853	2.022	4675	5.454	21.10	498.6	395.7	22.73	4.096	1.958	4.019	2.907	298.6	2.518
Denmark	(DKr)	52.43	10	8.687	2.544	1.060	2451	2.859	11.06	261.4	207.4	11.92	2.147	1.026	2.107	1.524	156.5	1.319
France	(FFr)	60.35	11.51	10	2.929	1.220	2821	3.292	12.74	300.9	238.8	13.72	2.472	1.181	2.426	1.754	180.2	1.518
Germany	(DM)	20.61	3.930	3.414	1	0.417	963.9	1.124	4.349	102.7	81.52	4.683	0.844	0.403	0.828	0.599	61.52	0.518
Ireland	(I£)	49.45	9.432	8.194	2.400	1	2312	2.697	10.44	246.6	195.6	11.24	2.025	0.968	1.987	1.438	147.6	1.244
Italy	(L)	2.139	0.408	0.354	0.104	0.043	100.	0.117	0.451	10.67	8.463	0.486	0.088	0.042	0.086	0.062	6.388	0.054
Netherlands	(Fl)	18.33	3.497	3.038	0.890	0.371	857.1	1	3.869	91.42	72.54	4.167	0.751	0.359	0.737	0.533	54.74	0.461
Norway	(NKr)	47.38	9.038	7.852	2.300	0.958	2215	2.584	10	236.3	187.5	10.77	1.941	0.928	1.904	1.378	141.5	1.192
Portugal	(Es)	20.05	3.825	3.323	0.973	0.406	937.6	1.094	4.232	100.	79.35	4.558	0.821	0.393	0.806	0.583	59.87	0.505
Spain	(Pta)	25.27	4.821	4.188	1.227	0.511	1182	1.379	5.334	126.0	100.	5.745	1.035	0.495	1.016	0.735	75.46	0.636
Sweden	(SKr)	44.00	8.392	7.290	2.136	0.890	2057	2.400	9.285	219.4	174.1	10	1.802	0.861	1.768	1.279	131.4	1.107
Switzerland	(SFr)	24.42	4.657	4.046	1.185	0.494	1141	1.332	5.153	121.7	96.61	5.550	1	0.478	0.981	0.710	72.90	0.614
UK	(£)	51.08	9.743	8.464	2.479	1.033	2388	2.786	10.78	254.7	202.1	11.61	2.092	1	2.053	1.485	152.5	1.285
Canada	(C$)	24.88	4.746	4.123	1.208	0.503	1163	1.357	5.251	124.1	98.44	5.655	1.019	0.487	1	0.723	74.28	0.626
US	($)	34.40	6.561	5.700	1.669	0.696	1608	1.876	7.259	171.5	136.1	7.818	1.409	0.673	1.382	1	102.7	0.865
Japan	(Y)	335.0	63.89	55.50	16.26	6.774	15659	18.27	70.69	1670	1325	76.13	13.72	6.557	13.46	9.738	1000.	8.426
Ecu		39.75	7.582	6.587	1.929	0.804	1858	2.168	8.389	198.2	157.3	9.035	1.628	0.778	1.598	1.156	118.7	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner and Swedish Kroner per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

EMS EUROPEAN CURRENCY UNIT RATES

Mar 31	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. Ind.
Netherlands	2.19672	2.16957	+0.00157	-1.24	3.87	-
Belgium	40.2123	39.7803	+0.0444	-1.07	3.70	8
Germany	1.94964	1.93114	+0.00298	-0.95	3.57	-
Ireland	0.808628	0.804797	+0.001608	-0.47	3.08	3
France	6.53883	6.59301	+0.00141	0.83	1.75	-7
Spain	154.250	157.078	-0.877	1.83	0.74	-13
Denmark	7.43679	7.58381	-0.00234	1.98	0.60	-14
Portugal	192.854	197.848	-2.614	2.59	0.00	-17
NON ERM MEMBERS						
Greece	264.513	284.550	+0.914	7.58	-4.63	-
Italy	1793.19	1860.45	-18.9	3.75	-1.12	-
UK	0.786749	0.777537	+0.00224	-1.17	3.80	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.

■ D-MARK FUTURES (IMM) DM 125,000 per DM (Apr 1)

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound) (Apr 1)

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr (Apr 1)

■ STERLING FUTURES (IMM) £62,500 per £ (Apr 1)

WORLD INTEREST RATES

MONEY RATES

EURO CURRENCY INTEREST RATES

■ THREE MONTH EUROMARK FUTURES (LIFFE) DM1m points of 100%

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100% (Apr 1)

■ US TREASURY BILL FUTURES (IMM) $1m per 100% (Apr 1)

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

■ THREE MONTH EURODOLLAR (LIFFE) $1m points of 100%

UK INTEREST RATES

LONDON MONEY RATES

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9450	0.18	0.24	0.21	0.15	0.49	0.68
9475	0.07	0.15	0.14	0.29	0.65	0.86
9500	0.03	0.09	0.07	0.50	0.84	1.04

Est. vol. total, Calls 9043 Puts 10835. Previous day's open int., Calls 150141 Puts 156271

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williamson Secs.	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	Standard Chartered	5.25
Bank of Baroda	5.25	Girobank	5.25	TSB	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	●United Bk of Kuwait	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Unity Trust Bank Plc	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Western Trust	5.25
Bank of India	5.25	Heritable & Gen Inv Bk.	5.25	Whiteaway Laidlaw	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25	Yorkshire Bank	5.25
Barclays Bank	5.25	C. Hoare & Co	5.25		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
●Brown Shipley	5.25	Julian Hodge Bank	5.25		
CL Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank	5.25	Midland Bank	5.25		
Coutts & Co	5.25	* Mount Banking	6		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	●Rea Brothers	5.25		

● Members of British Merchant Banking & Securities Houses Association

* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Wednesday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Wednesday's Official List the latest recorded business in the three previous days is given with the relevant date.

Rule 535(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ɸ Bargains done the previous day.

British Funds, etc

Treasury 13¾% Stk 2000/03 - £128⅛
Exchequer 10½% Stk 2005 - £119⅞

Corporation and County Stocks

Hull Corp 3½% Stk(1st Iss) - £38

National Westminster Bank PLC 11½% Und-SubNts £1000(Cnv to Prf)Br - £108¼ ½
Nationwide Building Society Zero Cpn Nts 1998 (Br £ Var) - £71½ (28Mr94)
Nippon Telegraph and Telephone Corp10⅞% Bds 2001 (Br £1000&10000) - £113¼ (28Mr94)
Northern Rock Building Society 10⅞% Subord Bds 2018 (Br £ Var) - £107¾ 8⅛ (28Mr94)

(Br £ Var) - £101⅞ (25Mr94)
Ladbroke Group PLC 5⅛% Subord Cnv Bds 2004(Br£1000&5000) - £134¼ (29Mr94)
Ladbroke Group Finance(Jersey)Ld 9% Cnv Cap Bds 2005 (Br£5000&100000) - £97¾ 8
Land Securities PLC 9½% Bds 2007(Br£1000&10000) - £103½
Land Securities PLC 6¾% Cnv Bds 2002(Br£1000) - £98
Land Securities PLC 9⅛% Cnv Bds 2004 (Br£5000&50000) - £115¼ ½ (29Mr94)
Leeds Permanent Building Society 7⅞% Nts 1998 (Br £ Var) - £98
Leeds Permanent Building Society 11½% Nts 1996 (Br £5000&100000) - £108⅜ (29Mr94)
Leeds Permanent Building Society Collared Flg Rte Nts 2003 (Br £ Var) - £102½ (25Mr94)
Lewis (John) PLC 10⅞% Bds 1998 (Br £10000&100000) - £108.175 (28Mr94)
Lloyds Bank PLC 7⅞% Subord Bds 2004(Br£Various) - £90.8 1 ⅞
Lloyds Bank PLC 10¼% Subord Bds 1998(Br£10000) - £108⅞ (25Mr94)
London & Manchester Group PLC 8⅛% Nts 2004(Br£Vars) - £91⅞ (28Mr94)
Lonrho Finance PLC 6% Gtd Cnv Bds 2004(Br£Vars) - £100 (25Mr94)
Lucas Industries PLC 10⅞% Bds 2020 (Br£10000&100000) - £111¼ ¾
Mowlem (John) & Co PLC 11½% Gtd Bds 2013 (Br£10000) - £106½ 7
National Grid Co PLC 7⅜% Bds 1998 (Br £ Var) - £98½
National Power PLC 10⅝% Bds 2001 (Br £10000&100000) - £111¼ (28Mr94)
National Westminster Bank PLC 11¾% Subord Nts 2001 (Br £Var) - £115
National Westminster Bank PLC 11½% Und-SubNts £1000(Cnv to Prf)Reg - £108⅞

Alexander & Alexander Services Inc Shs of Class C Com Stk $1 - £11⅞ (25Mr94)
Alexanders Hldgs PLC "A"(RstLV)Ord 10p - 22 (25Mr94)
Alexon Group PLC 6.25p (Net) Cnv Cum Red Prf 10p - 60 1
Allied London Properties PLC 10% Cum Prf £1 - 115 (28Mr94)
Allied-Lyons PLC ADR (1:1) - $8.21
Allied-Lyons PLC 5½% Cum Prf £1 - 60
Allied-Lyons PLC 7½% Cum Prf £1 - 82
Allied-Lyons PLC 11¾% Deb Stk 2009 - £128½ (28Mr94)
Allied-Lyons PLC 7¾% Uns Ln Stk 93/98 - £99 (29Mr94)
Allied-Lyons Financial Services PLC6¾% GtdCnvSubordBds2008 RegMult£1000 - £109½
Allnatt London Properties PLC 9⅛% 1st Mtg Deb Stk 98/2001 - £100 (25Mr94)
Alvis PLC 5.5% Cnv Cum Non-Vtg Red Prf £1 - 64¼
American Brands Inc Shs of Com Stk $3.125 - $30¼
Ameritech Corp Shs of Com Stk $1 - $40¼
Andrews Sykes Group PLC Cnv Prf 50p - 60 (28Mr94)
Anglian Water PLC 5⅛% Index-Linked LnStk 2008(6.1024%) - £136
Anglo-Eastern Plantations PLC 12½% Uns Ln Stk 95/99 - £102 (28Mr94)
Anglovaal Ld N Ord R0.0001 - £15⅞ (29Mr94)
Associated British Foods PLC 5½% Uns Ln Stk 87/2002 50p - 39
Associated British Foods PLC 7½% Uns Ln Stk 87/2002 50p - 46
Attwoods PLC ADR (5:1) - $9¼ (29Mr94)
Attwoods (Finance) NV 8½p Gtd Red Cnv Prf 5p - 99 (28Mr94)

FT-SE ACTUARIES INDICES

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 Indices and the FT-SE Actuaries Industry Baskets are calculated by The International Stock Exchange of the United Kingdom and Republic of Ireland Limited.

The FT-SE Actuaries All-Share Index is calculated by The Financial Times Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 indices, the FT-SE Actuaries Industry Baskets and the FT-SE Actuaries All-Share Index are members of the FT-SE Actuaries Share Indices series which are calculated in accordance with a *standard set of ground rules* established by The Financial Times Limited and London Stock Exchange in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

"FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited.

RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Aust. Foundation A$2.133
Churchill Res. 19 (28/3)
City Developments S$8.16 (29/3)
Dainippon Screen Mfg Y714.09
Futuris A$1.2986 (29/3)
Harland (John H) $22.25 (28/3)
Kulim Malaysia 77.0
Malayan Cement M$14.02
National Electronics 3 (29/3)
North Flinders Mines £4.88 (28/3)
Oil Search 38 (28/3)
Regal Hotels 18.54 (29/3)
Storer Comms. SK385.00
Walhalla Mining A$0.1935 (29/3)
Westfield Minerals 40.0

By Permission of the Stock Exchange Council

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LONDON STOCK EXCHANGE

MARKET REPORT

Shares give ground in a volatile trading session

By Terry Byland,
UK Stock Market Editor

The final trading session for the first quarter of 1994 saw UK stocks slip lower in volatile trading ahead of the Easter weekend. With most European financial markets closed until Tuesday, investors were waiting cautiously to see how Tokyo and Wall Street would react to the US jobless data expected on Friday.

Plunging sharply at the opening, after Wall Street had suffered its largest daily fall for the year, London stocks steadied in the Footsie 3,061 area, with the help of firmer bond markets across Europe.

Recovery was very uncertain, however, when the pound came under pressure again on nervousness regarding the political outlook for Mr John Major, the UK prime minister.

The market turned better when gilts responded favourably to comments on the UK economy from Mr Kenneth Clarke, the chancellor of the exchequer.

Encouraged also by good company results in the building sector, the FT-SE Index moved into positive territory, and was within seven points of the 3,100 mark in early afternoon. A cut in the Bank of France intervention rate steadied nervousness on the interest rate front.

However, the mood changed very quickly when both the Dow Average and US Federal bonds turned off after a firm start to the new trading session in New York. The Footsie slipped back to show a fall of nearly 10 points before rallying yet again.

The closing reading put the FT-SE Index at 3,086.4 for a net loss on the day of 6 points. The FT-SE Mid 250 Index fell 14.2 to 3,752.9. Seaq volume of 725.6m shares compared with 773m in the previous session, when retail business jumped sharply to return a worth of £1.76bn.

Hopes that UK markets can disengage from the US were dented by the readiness with which the Footsie reacted to bearish movements in the Dow Average. Some analysts warned that selling was inhibited by the the end of the trading quarter and that the London market was much more nervous than it might appear.

"1987 re-visited," was the title of the week's strategy note from Mr Nicholas Knight of Nomura Research, once the bull but now the bear of the London stock market. He sees the Dow Average at 3,200 and the Footsie at 2,800 in the near term. He believes that a further cut in UK base rates is almost inevitable on political grounds but should be taken as the final signal to sell equities.

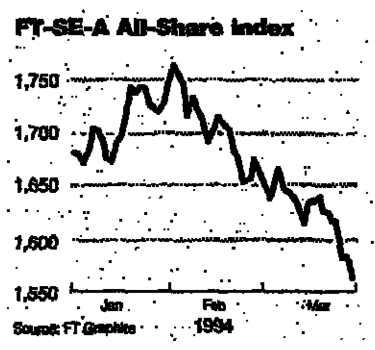
Volatility has become the keynote of both equities and gilts at present. The FT-SE Index travelled through a range of more than 30 points again yesterday to show a loss on the week of around 1.4 per cent on the week. Government bonds, although ½ point better at the longer end yesterday, have suffered similar changeability which has prompted hints of large losses by some trading firms.

The closing picture on the stock market was somewhat mixed, with special situations providing most of the highlights. Firmness among the store and retail issues was somewhat deceptive, with both Kingfisher and GUS moving higher against the market trend. The blue chip multinational stocks were unsettled by uncertainty over the US dollar and the prospect of an extended weekend break in the London market.

Account Dealing Dates		
*First Dealings:		
Mar 14	Mar 28	Apr 11
Option Declarations:		
Mar 24	Apr 7	Apr 21
Last Dealings:		
Mar 25	Apr 8	Apr 22
Account Day:		
Apr 5	Apr 18	May 3

*New time dealings may take place from two business days earlier.

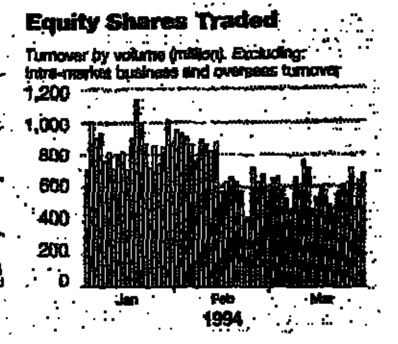
FT-SE-A All-Share index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ **Key Indicators**

Indices and ratios		
FT-SE Mid 250	3752.9	-14.2
FT-SE-A 350	1570.4	-3.7
FT-SE-A All-Share	1561.97	-4.18
FT-SE-A All-Share yield	3.72	(3.71)
FT Ordinary index	2439.2	-6.3
FT-SE-A Non Fins p/e	20.54	(20.66)
FT-SE 100 Fut Jun	3067.0	+8.0
10 yr Gilt yield	7.55	(7.59)
Long gilt/equity yld ratio:	2.12	(2.15)

FT-SE 100 Index	
Closing index for Mar 31	3086.4
Change over week	-42.6
Mar 30	3092.4
Mar 29	3123.4
Mar 28	3129.5
Mar 25	3129.0
High*	3150.2
Low*	3061.9

*Intra-day high and low for week

TRADING VOLUME

■ **Major Stocks on Thursday**

	Vol. 000s	Closing price	Day's change
ASDA Group†	2,800	58	+½
Abbey National†	1,100	465½	-3½
Albert Fisher	600	62	-1
Allied-Lyons†	1,400	543	-10
Anglian Water	1,100	508	-8
Argos	2,000	348	-8
Argyll Group†	2,000	253	+1½
Lonrho	2,600	146½	-4
Lucas	580	194	+1½
MEPC†	672	446	-2
MFI	640	160	-2
Manweb	145	736	+16
Marks & Spencer†	5,200	407½	-4½
Midlands Elect.	388	636	+1

[illegible]

EQUITY FUTURES AND OPTIONS TRADING

Derivatives markets shared in the volatility seen in equity sectors in the final pre-Easter trading session, *writes Terry Byland*. For much of the day, the June contract on the Footsie traded at a small discount to the cash market but traders stressed that dealing was restrained.

The final reading of 3,058 showed the contract at a substantial discount to the cash market but some ground was recovered in after hours trading.

Trading volume was swollen to just over 15,000 contracts in the June contract.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3065.0	3067.0	8.0	3098.0	3049.0	15351	57355
Sep	3061.0	3085.0	8.0	3081.0	3069.0	18	695
Dec	-	3094.0	8.0	-	-	0	0

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3730.0	3725.0	-35.0	3730.0	3720.0	426	2214

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3730.0	3740.0	+10.0	3735.0	3730.0	11	785

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3083) £10 per full index point

[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

[illegible]

FT-SE-A INDICES - LEADERS & LAGGARDS

Percentage changes since December 31 1993 based on Thursday March 31

[illegible]

FT-SE Actuaries Share Indices — The UK Series

[illegible]

■ **FT-SE Actuaries All-Share**

[illegible]

■ **Hourly movements**

[illegible]

■ **FT-SE Actuaries 350 Industry baskets**

[illegible]

Hogg up on HSBC purchase

Bid speculation in insurance broker Hogg Group sent the *shares racing 24 ahead to 165p*, in trade of 1.1m, after an *announcement that a subsidiary of international banking group HSBC had taken a 6 per cent stake*. Hogg advised shareholders to take no action.

News of the move took the market by surprise and came a day after Hogg reported halved profits to £6.01m, and reduced its dividend. The company's shares have been in the doldrums since January when it surprised the market with a profits warning.

The general view among market watchers was that the HSBC move was the first strike ahead of a full bid and analysts quickly moved to work out a possible price.

One analyst said: "There is no reason for this move other than for a bid. There is synergy with HSBC's insurance interests and Hogg would also fit well with several of Midland Bank's operations. Shareholders will have to be made an offer of at least 210p a share."

Another analyst said: "The management have lost credibility and the major share holders are unhappy. These are the circumstances of a bid."

In an otherwise quiet banking sector, shares in HSBC firmed a penny to 739p.

Redland strong

Building materials group Redland was one of the best *performing stocks among* FT-SE 100 constituents after *analysts upgraded profit expectations* following the release of better than anticipated full-year figures.

The group reported *profits* of £278.9m, against a range of forecasts between £260m and £270m, with the results followed by a bullish presentation from the board.

At the day's best, the shares were up 25 but came off the top with the market to finish 15 up 539p on balance, after hefty trade of 7.3m.

NEW HIGHS AND LOWS FOR 1993/94

NEW HIGHS (8).
BUILDING & CNSTRN (1) Spandex, FOOD MANUF (1) Golden Vale, HOUSEHOLD GOODS (1) Portmeirion Potteries, INVESTMENT TRUSTS (1) Mauritius Fund, MEDIA (1) Southern Radio, RETAILERS, GENERAL (1) Goldsmiths, SUPPORT SERVS (1) BNB Resources, TRANSPORT (1) National Express.
NEW LOWS (67).
GILTS (4) BREWERIES (1) Greene King, BUILDING & CNSTRN (1) Ball (AH), BLDG MATLS & MCHTS (2) Ashley, Ashley 5¾p Prf., CHEMICALS (1) Metrotect Inds., DIVERSIFIED INDLS (1) Trafalgar House 8p Prf., ENGINEERING (1) Harris (Ph). ENG, VEHICLES (1) Benson, EXTRACTIVE INDS (1) Portman, FOOD MANUF (2) Canadian Pizza, Dalepak, HEALTH CARE (3) AAH, Haemocell, Intercare, INSURANCE (2) Alexander & Alexander, USF & G, INVESTMENT TRUSTS (16) Abtrust Emrg. Economies, Do. Wrts., Baring Emrg. Euro, Do. Wrts., Fidelity Japanese Values, Govett High Inc., Do. Wrts., Johnson Fry Second Utls., Do. Zero Prf., Kleinwort Euro Prvt., Do. Wrts., Mercury World Wrts., Pantheon Intl. Wrts., Samcan Value, Do. Wrts., Taiwan Inv., Do. Wrts., Throgmorton Prf. Inc., LEISURE & HOTELS (1) Hozelock, MEDIA (1) CentreGold, OIL EXPLORATION & PROD (3) Coplex Resources, LASMO 'Ops'. Schlumberger, OTHER FINANCIAL (1) Trio, OTHER SERVS & BUSNS (2) Photo-Me, Pledgrum, PHARMACEUTICALS (3) SmithKline Beecham A, Do. Units, PRTNG, PAPER & PACKG (1) Field, PROPERTY (3) Cathay Intl., Chelsfield, Prior, RETAILERS, FOOD (1) Geest, RETAILERS, GENERAL (2) Colorvision, Owen & Robinson, SPIRITS, WINES & CIDERS (1) Taunton Cider, SUPPORT SERVS (3) British Data Management, Sherwood Computer Services, TEXTILES & APPAREL (3) Cupid, Hogges (J), Marvin Intl., AMERICANS (5) BankAmerica, Houston Inds., NYNEX, Unilab, Woolworth, CANADIANS (1) Hudson's Bay.

Mr Simon Brown at Strauss Turnbull raised his forecast by £10m to £335m and believes the stock to be undervalued, "given the Steetley acquisition two years ago together with the high quality of the assets and the management."

Mr Mike Betts at Goldman Sachs, who has been negative on the stock over the last few months, raised his estimate by £23m to £328m and moved the stock from a sell to a hold recommendation.

He said: "The stock will perform well in a weak market as the yield will underpin the shares."

Media and publishing group Pearson retreated sharply after *announcing an agreed $462m* offer for Software Toolworks, a US software publisher. Some analysts expressed concern over both the price being paid and the strategic logic of the move.

Pearson shares slippped by 26 to 641p, the biggest faller in the FT-SE 100.

There was other takeover activity in the media sector. Capital Radio set the radio broadcasting sector alight with the £32.8m agreed offer for Southern Radio. Capital shares jumped 21 to 418p, while Southern surged 25 to 118p, 3p above the offer price. The move excited other radio shares, with Chiltern gaining 11 to 163p, GWR Group 37 to 895p and Metro Radio 10 to 349p.

Advertising agency Saatchi & Saatchi appeared to have resolved its boardroom differences with a statement that *the chief executive and chairman would both be keeping their current roles.* The shares responded by slipping a halfpenny to 135¼p, with one analyst commenting that the deal failed to resolve the problem over the future direction of the company.

Software group Unipalm made its expected strong debut, the shares coming to the market at 100p and finishing the day at 136p.

Capital Shopping, the property group which came to the market on Wednesday at 230p, had another weak day along with the sliding sentiment in the the sector. The shares slipped a further 2 to 206p and gave rise to fears for other forthcoming property flotations, which were priced prior to the sector's recent bout of weakness. *Rugby Estates is rumoured to have had its original issue price cut by some 30* per cent prior to coming to the market the week after next.

A weak performance overnight by *Wall Street impacted* on several stocks. Reuters fell back 26 to 1960p, *Glaxo was off* 10 before recovering to close a *net 4 off 600p, and ICI fell 18 to* 789p.

Firm gilts, continued hopes of a rate cut and positive sen*timent over early payment of* bills by consumers avoiding VAT *helped the electricity sec*tor. Among the better perform*ers*, Eastern gained 14 to 675p, Yorkshire 13 to 651p and Manweb 16 to 738p.

Great Universal Stores continued *to attract attention*, the shares gaining 16 to 607p. There are rumours that the company is planning to spend a £1bn buying back a chunk of its shares.

Kingfisher was again buoyed by this week's buying recommendations from several brokers and the shares added 8 to 577p.

At the start of the busy Easter period for DIY groups, WH Smith gained 12 to 533p on hopes for its restructuring proposals for Do It All, due after the break.

Nervous trading in British Airways ahead of US committal proceedings instigated by Virgin Atlantic, left the shares trailing 8½ to 404½p, after trade of 3.4m.

Aero-engine group Rolls-Royce recovered from recent weakness gaining 6¼ to 181¼, on volume of 7.2m. Also recovering was Inchcape, which reported poor figures earlier this week. The shares put on 2 to 515p.

Taylor Woodrow continued *to benefit from its recent* favourable figures and the *shares put on another 5 to* 159p.

The rest of the building materials stocks followed the *market lower. Hepworths shed* 15 to 391p, while Harrisons & Crosfield lost 8 to 197p, following a cautious note from NatWest Securities.

Building products and security printing group Caradon which reported improved figures earlier this week, was also the subject of a cautious note from NatWest Securities. The shares fell 11 to 363p. after NatWest said that "...we would prefer to rate RMC, Marley, Rugby and Blue Circle more highly since they have owned for some time the operations that will deliver the anticipated performance."

■ **CHIEF PRICE CHANGES THURSDAY**

London (Pence)

Rises		
Capital Radio	418	+ 21
Chiltern Radio	163	+ 11
Corporate Servs	48	+ 2
GWR	895	+ 37
Norbain	349	+ 23
Redland	539	+ 15
Smith (WH) A	533	+ 12
Southern Radio	118	+ 25
Taylor Woodrow	159	+ 5
Falls		
ACT	169	– 5
Caradon	363	– 11
Cater Allen	535	– 11
Clarkson (H)	87	– 8
Danka Business	324	– 13
Harrisons & Cros	197	– 8
Hepworth	391	– 15
Home Counties	135	– 5
M & G Group	963	– 20
OMI Intl	51	– 2½
Pearson	641	– 26
Photo-Me Intl	235	– 20

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1QZ 0895 259783

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Grofund American	5	169.4	161.8	170.4	—	0.00
AIB Grofund Equity	5	231.3	233.8	247.5	—	1.85
AIB Grofund Euro	6	198.1	198.6	210.1	—	0.00
AIB Grofund Intl Balanced	3	114.3	115.4	118.8	—	1.41
AIB Grofund Gilt	3	76.58	78.01	78.98	—	4.51
AIB Grofund Japan	5	188.4	188.1	199.0	—	0.00

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✠) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation.
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Thornton Unit Managers Ltd (1200)F
33 Queen Street, London EC4R 1AX 071-246 3000
Dealing 071-246 3001

[illegible]

Waverley Unit Tst Mngmt Ltd (1000)F
13 Charlotte Sq, Edinburgh 031-225 1551

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

INSURANCES

[illegible]

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

[illegible]

Abbey National Life Plc
267 St Vincent Street, Glasgow 041 305 8600

[illegible]

Canada Life Group
High St, Potters Bar, Herts, EN6 5BA 0707 651122

[illegible]

Century Life Plc
5 Old Bailey, London EC4M 7BA 071-332 5000

[illegible]

Eagle Star Life Assurance Co Ltd
Bath Road, Cheltenham GL53 7LQ

[illegible]

Eagle Star Insur./Midland Assur.
60 St. Mary Axe, London EC3

[illegible]

Equitable Life Assurance Society
Walton St, Aylesbury Bucks HP21 7QW.

[illegible]

Henderson Administration - Contd.

[illegible]

Lincoln National - Contd.

[illegible]

NPI

[illegible]

Providence Capital Life Assc. Co Ltd - Contd.

[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Scottish Amicable
150 St Vincent St, Glasgow 041-248 2323

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds (First Series)				
Managed	482.4	498.6	—	-
Equity	572.2	602.4	—	-
Property	288.2	303.4	—	-
International	470.0	494.8	—	-
Japanese	128.9	135.3	—	-
Asia Pacific	181.8	191.4	—	-
European	131.1	138.1	—	-
American	158.8	165.1	—	-
Fixed Interest	368.8	388.3	—	-
Index-Linked Gilt	198.1	208.5	—	-
Cash	225.3	237.2	—	-
Life Funds (Second Series)				
Managed	129.2	136.1	—	-
Equity	123.6	130.1	—	-
Property	121.6	128.0	—	-
International	145.8	153.6	—	-
Japanese	129.2	136.1	—	-
Asia Pacific	176.0	185.5	—	-
European	130.5	137.4	—	-
American	153.9	162.0	—	-
Fixed Interest	139.2	146.6	—	-
Index-Linked Gilt	125.9	132.6	—	-
Cash	112.2	118.2	—	-
Pension Funds				
Building Society	179.8	189.3	—	-
Managed (Init)	257.1	270.7	—	-
Managed (Acc)	534.0	562.2	—	-
Equity (Init)	283.6	298.6	—	-
Equity (Acc)	589.0	620.1	—	-
Property (Init)	174.9	184.2	—	-
Property (Acc)	363.4	382.6	—	-
International (Init)	297.9	292.1	—	-
International (Acc)	658.5	688.6	—	-
Fixed Interest (Init)	231.8	244.0	—	-
Fixed Interest (Acc)	481.5	506.9	—	-
Cash (Init)	152.4	160.5	—	-
Cash (Acc)	316.7	333.4	—	-

Standard Life Assurance Company
3 George St, Edinburgh EH2 2XZ 031-225 2552

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	692.2	728.7	—	-
Equity	978.3	1027.7	—	-
Fixed Interest	392.9	413.6	—	-
Index-Linked	207.1	218.1	—	-
International	621.6	654.4	—	-
North American	141.6	149.1	—	-
Far East	172.9	182.0	—	-
European	172.3	181.4	—	-
Property	348.0	366.4	—	-
Cash	263.4	277.3	—	-
Pension Managed	969.3	1020.4	—	-
Pension Stock Exchange	218.6	230.1	—	-
Pension Equity	1400.5	1474.3	—	-
Pension Fxd Int	533.4	561.5	—	-
Pension Index-Linked	286.5	301.6	—	-
Pension International	876.8	923.0	—	-
Pension Property	465.3	489.8	—	-
Pension Cash	407.5	429.0	—	-
Pension Nth American	178.5	188.8	—	-
Pension Far East	138.6	145.9	—	-
Pension European	207.0	217.9	—	-

Sun Alliance Group
St Mark's Court Horsham 0403 232323

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Managed	854.4	899.9	—	-
Deposit	290.0	305.3	—	-
Equity	851.7	896.6	—	-
Equity Income	229.2	241.3	—	-
European	170.3	179.3	—	-
Far East	237.1	249.6	—	-
Fixed Interest	410.6	432.2	—	-
Index Linked	312.3	328.6	—	-
International	837.7	871.3	—	-
North America	244.1	257.0	—	-
Property	513.4	540.5	—	-
Worldwide Bond	158.7	167.1	—	-
International Bond	299.22		—	-
UK Leader	112.9	118.8	—	-

OFFSHORE INSURANCES

MANAGEMENT SERVICES

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BERMUDA (SIB RECOGNISED)

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ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

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LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

WORLD STOCK MARKETS

NORTH AMERICA

UNITED STATES (Mar 31 / US$)
(4 pm close)

EUROPE

AUSTRIA (Mar 31 / Sch)

BELGIUM/LUXEMBOURG (Mar 31 / Frs.)

DENMARK (Mar 30 / Kr)

FINLAND (Mar 30 / Mka)

FRANCE (Mar 31 / Frs.)

GERMANY (Mar 31 / Dm.)

ITALY (Apr 1 / Lire)

NETHERLANDS (Mar 31 / Fls.)

NORWAY (Mar 30 / Kroner)

SPAIN (Mar 30 / Pts.)

SWEDEN (Mar 31 / Kronor)

SWITZERLAND (Mar 31 / Frs.)

CANADA (Mar 31 / Can. $)
(4 pm close)

AFRICA

SOUTH AFRICA (Mar 31 / Rand)

PACIFIC

JAPAN (Apr 1 / Yen)

AUSTRALIA (Mar 31 / Aust$)

HONG KONG (Mar 31 / H.K.$)

MALAYSIA (Apr 1 / MYR)

SINGAPORE (Mar 31 / S$)

INDICES

	Apr 1	Mar 31	Mar 30	1994 High	1994 Low
Argentina					
General (29/12/77)	(c)	(c)	19210.43	25478.48 18/2	19131.43 21/3
Australia					
All Ordinaries(1/1/80)	(c)	2053.1	2092.4	2340.60 3/2	2053.10 31/3
All Mining(1/1/80)	(c)	999.2	1013.9	1136.10 3/2	988.70 4/3
Austria					
Credit Aktien(30/12/84)	(c)	432.86	432.70	480.66 2/2	432.78 30/3
Traded Index(2/1/91)	(c)	1121.86	1120.50	1222.25 1/2	1120.50 30/3
Belgium					
BEL20 (1/1/91)	(c)	1464.51	1462.76	1542.65 9/2	1462.76 30/3
Brazil					
Bovespa (29/12/83)	(c)	(c)	15156.0	19156.80 30/3	3800.90 3/1
Canada					
Metals Mins♦(1975)	(c)	3618.55	3603.56	3878.59 18/3	3523.53 21/2
Composite♦ (1975)	(c)	4329.62	4313.90	4699.98 23/3	4313.90 30/3
Portfolio§§ (4/1/83)	(c)	2016.30	2019.08	2182.89 1/2	2016.30 31/3
Chile					
IPSA Gen (31/12/80)	(c)	4029.5	4053.8	4867.80 4/2	3892.50 3/1
Denmark					
CopenhagenSE(3/1/83)	(c)	(c)	387.70	415.79 2/2	370.74 3/1
Finland					
HEX General(28/12/90)	(c)	(c)	1766.8	1972.00 4/2	1601.10 3/1
France					
SBF 250 (31/12/90)	(c)	1419.69	1416.37	1585.20 2/2	1418.37 30/3
CAC 40(31/12/87)	(c)	2081.94	2083.87	2355.93 2/2	2081.94 31/3
Germany					
FAZ Aktien(31/12/58)	(c)	810.78	817.79	855.87 4/1	776.33 2/3
Commerzbank(1/12/53)	(c)	2323.4	2336.3	2458.00 4/1	2221.20 2/3
DAX (30/12/87)‡	(c)	2133.11	2147.53	2267.98 3/1	2020.33 2/3
Greece					
Athens SE(31/12/80)	(c)	1003.50	1019.60	1194.58 18/1	980.21 3/1
Hong Kong					
Hang Seng(31/7/64)	(c)	9029.91	9232.21	12201.09 4/1	8887.03 21/3
India					
BSE Sens.(1979)	(c)	3776.9	3775.1	4287.80 28/2	3454.00 5/1
Indonesia					
Jakarta Comp.(10/8/82)	(c)	492.37	492.37	612.89 5/1	485.47 22/3
Ireland					
ISEQ Overall(4/1/88)	(c)	1807.57	1827.46	2082.16 20/1	1807.57 31/3
Italy					
Banca Comm Ital (1972)	(u)	722.98	685.54	722.99 31/3	588.85 10/1
MIB General (4/1/94)	1155.0	1154.0	1108.0	1155.00 1/4	944.00 10/1
Japan					
Nikkei 225 (16/5/49)	19277.16	19111.00	19559.91	20677.77 16/3	17369.74 4/1
Nikkei 300 (1/10/82)	287.11	285.73	290.98	304.25 1/3	268.22 4/1
Topix (4/1/68)	1571.18	1563.21	1588.22	1653.27 16/3	1445.97 4/1
2nd Section (4/1/68)	2201.25	2194.54	2204.47	2221.32 17/3	1873.33 4/1
Malaysia					
KLSE Comp.(4/4/86)	959.94	952.72	966.77	1314.46 5/1	961.43 28/3
Mexico					
IPC (Nov 1978)	(c)	(c)	2410.38	2881.17 8/2	2382.03 15/3
Netherland					
CBS TtlRtnGen(End 83)	(c)	(u)	418.8	454.90 31/1	418.80 30/3
CBS All Shr (End 83)	(c)	268.0	271.4	294.80 31/1	268.00 31/3
New Zealand					
Cap. 40 (1/7/86)	(c)	2084.58	2076.23	2439.84 3/2	2076.23 30/3
Norway					
Oslo SE(Ind)(2/1/83)	(c)	(c)	1121.69	1211.10 28/2	1072.67 3/1
Philippines					
Manila Comp (2/1/85)	(c)	(c)	2711.50	3308.37 4/1	2587.33 9/3
Portugal					
BTA (1977)	(c)	3140.8	3152.3	3228.60 18/2	2619.90 3/1
Singapore					
SES All-S'pore(2/4/75)	(c)	535.23	546.54	641.61 4/1	523.86 21/3
South Africa					
JSE Gold (28/9/78)	(c)	2012.0♥	1994.0	2331.00 4/1	1748.00 14/2
JSE Indl. (28/9/78)	(c)	5844.0♥	5894.0	6140.00 18/3	5446.00 19/1
South Korea					
KoreaCmpEx(4/1/80)**	(c)	867.22	865.68	974.26 2/2	865.68 30/3
Spain					
Madrid SE (30/12/85)	(c)	(c)	319.48	358.31 31/1	319.48 30/3
Sweden					
AffarsvardnGen (1/2/37)	(c)	1403.60	1411.80	1603.90 31/1	1403.60 31/3
Switzerland					
Swiss Bk Ind (31/12/58)	(c)	1321.84	1327.83	1423.34 31/1	1288.84 2/3
SBC General (1/4/87)	(c)	982.67	998.64	1093.29 31/1	973.95 2/3
Taiwan					
WeightedPr.(30/6/66)**	(c)	5249.22	5320.06	6454.52 6/1	5194.63 19/3
Thailand					
Bangkok SET (30/4/75)	(c)	1239.99	1247.33	1753.73 4/1	1204.12 21/3
Turkey					
Istanbul Comp.(Jan 1986)	(c)	14087.1	13649.5	20893.60 13/1	12980.70 24/3
WORLD					
MS Capital Int (1/1/70)$	(c)	599.5*	601.4	641.09 1/2	598.90 3/1
CROSS-BORDER					
Eurotrack 100(26/10/90)	(c)	1418.70	1416.70	1549.19 31/1	1383.60 2/3
Euro Top-100 (26/6/90)	(c)	1212.65	1211.26	1311.01 2/2	1282.49 2/3
JCapelDrgns (31/12/88)	(c)	(u)	306.02	385.19 5/1	280.28 21/3
Barings Emerg.(7/1/92)	(c)	155.28	155.81	182.72 14/2	153.76 22/3

** Sat Mar 26: Taiwan Weighted Price 5332.21; Korea Comp Ex 872.68. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 26 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Mar 31 - 2142.88 -8.96

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Mar	2074.0	2091.1	+6.1	2109.0	2067.0	29,556	11,925
Apr	2082.0	2085.0	-7.0	2118.0	2076.0	28,120	23,254
May	2070.0	2088.0	-7.0	2113.0	2077.0	8	8,390

Open interest figures for previous day.

US INDICES

Dow Jones	Mar 31	Mar 30	Mar 29	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3635.96	3626.75	3669.02	3978.36 (31/1)	3626.75 (30/3)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	100.46	100.70	101.19	105.61 (21/1)	100.46 (31/3)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1635.19	1638.50	1675.36	1862.29 (2/2)	1635.19 (31/3)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	196.28	198.00	201.23	227.86 (3/1)	196.28 (31/3)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3673.10 (3718.88) Low 3544.12 (3612.56) (Theoretical♠)
Day's high 3650.38 (3689.02) Low 3559.67 (3626.75) (Actual♠)

Standard and Poors	Mar 31	Mar 30	Mar 29	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	445.76	445.55	452.48	482.00 (2/2)	445.55 (30/3)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	521.16	521.18	528.89	560.59 (2/2)	521.78 (31/3)	560.59 (2/2/94)	3.62 (21/6/32)
Financial♥	42.03	41.87	42.60	46.59 (31/1)	41.87 (30/3)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	247.06	247.34	251.30	267.71 (2/2)	247.06 (31/3)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	443.11	446.54	454.43	487.89 (2/2)	443.11 (31/3)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Comp	743.46	744.91	765.29	803.93 (18/3)	743.46 (31/3)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Mar 25	Mar 18	Mar 11	Year ago
Dow Jones Ind. Div. Yield	*2.70*	*2.62*	*2.61*	2.98
	Mar 30	Mar 23	Mar 16	Year ago
S & P Ind. Div. yield	2.51	2.39	2.37	2.49
S & P Ind. P/E ratio	23.55	24.83	24.58	26.13

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Sett	Change	High	Low	Est. vol.	Open int.
Jun	446.05	446.75	+0.60	447.55	435.90	110,570	182,127
Sep	*447.90*	*448.75*	*+0.85*	*449.05*	*437.00*	*1,201*	*5,903*
Dec	448.75	450.85	+0.60	451.00	439.00	167	4,557

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Close price	Change on day
Chrysler	6,178,100	51⅛	+1¼
Gen Motors	5,450,100	53⅞	-¾
Merck	4,516,700	29⅝	+⅛
Telefonos	4,513,900	60⅞	+⅞
Woolworth	4,508,600	15⅛	-1⅛
Eastman Kdk	4,254,700	44⅜	-¼
RJR Nabisco	3,942,800	5⅝	-⅛
Wal-Mart	3,936,700	25⅞	-⅛
IBM	3,459,400	54⅛	+1
Amer Express	3,104,700	27⅛	-⅛

■ TRADING ACTIVITY

● Volume (million)

	Mar 31	Mar 30	Mar 29
New York SE	403.591	385.611	297.162
Amex	25.719	30.755	17.305
NASDAQ	(u)	398.194	309.556
NYSE			
Issues Traded	(u)	2,794	2,777
Rises	(u)	350	271
Falls	(u)	2,044	2,027
Unchanged	(u)	400	479
New Highs	(u)	4	5
New Lows	(u)	434	223

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

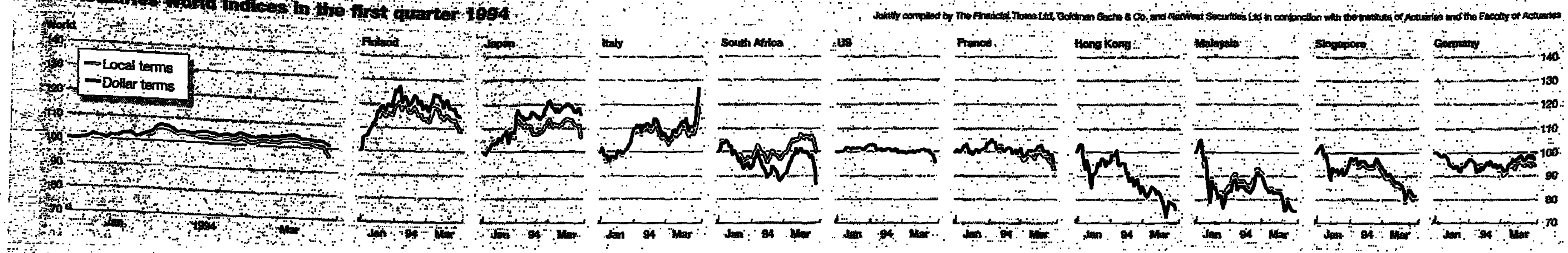
Prices supplied by Telekurs

FT FREE ANNUAL REPORTS SERVICE

WORLD STOCK MARKETS

FT-Actuaries World Indices in the first quarter 1994

Jointly compiled by The Financial Times Ltd, Goldman Sachs & Co. and NatWest Securities Ltd in conjunction with the Institute of Actuaries and the Faculty of Actuaries



AMERICA

Dow fights back after heavy morning deficit

Wall Street

US blue-chip stocks ended with modest gains on Thursday after another buffeting from an unstable bond market, *writes Frank McGurty in New York*.

The Dow Jones Industrial Average closed 9.22 better at 3,635.97, after fighting back from a 67-point deficit at mid-morning. The final push into positive territory came only about an hour before the close, as a burst of program-guided buying, coinciding with the end of trading in the first quarter, lifted the bellwether index by about 30 points.

The more broadly based Standard & Poor's 500 also reversed course during the session. It climbed back from a six point decline to end 0.21 better at 445.76; but declining issues outnumbered advances by 1,532 to 738.

For a second consecutive day, activity was hectic, as portfolio managers sought to square positions before their books closed for the quarter. NYSE volume reached 398m shares, topping the previous day's level of 390m. The American SE composite ended 2.43 lower at 443.11, and the Nasdaq composite down 1.45 at 743.46.

It was an appropriate end to a week of turmoil. After a net loss of 147 points since Monday's opening, confidence was in short supply when investors began the last session before the Easter three-day holiday.

Share prices were already slipping by mid-morning, when the Chicago Association of Purchasing Management released its March index of business activity. The data were received badly. Not only did the index indicate a overall surge of activity in the region, but more importantly for the inflation-sensitive bond market, the report's prices-paid component showed a big rise.

In response Treasury prices, especially on the long end of the yield curve, dropped precipitously, triggering frenzied selling in stocks. Within an hour, however, share prices stabilised amid a cross-current of program-driven trades.

As the day progressed, buyers finally trickled back into the Treasury market, tempted by low prices. In equities, bargain hunters snapped up some of Dow components battered earlier in the week. Caterpillar recovered $3¾ to $112 and Allied Signal $2⅝ to $36⅝. JP Morgan gained $2¼ to $62⅝, McDonald's $1 to $56⅞ and IBM $1 to $54.

The Dow transportation index, hammered over the past week, slipped a further 3.31 to 1,635.19. Airline stocks held up well, but trucking issues were weak, with the expiration of a pivotal labour contract only hours away and talks between union representatives and management stalled.

On the Nasdaq, Microsoft improved $1¼ and Intel gained $1¼ to $67⅛. But Pyramid Technology sank $3⅞ to 7⅞ after a profits warning.

Canada

Toronto stocks pulled out of another steep slide in late trading and ended mixed to positive bias after falling for six consecutive sessions. The TSE-300 composite index finished a busy session 15.71 points higher at 4,329.62. Volume was 80.44m shares valued at C$1.0bn.

Strong bank stocks, golds, a rebound in debt markets and bargain-hunting combined to offer a late lift. The gold and silver index climbed by 233.46, or 2.2 per cent to 10,778.81 after a solid rally in gold prices. Comex gold closed up a sharp US$5.70 at $394.30 per ounce, after bouncing off a two-and-a-half-month high of $396.50.

EUROPE

Italy piles on the post-election euphoria

Apart from extremes, *reflecting immense enthusiasm in Italy and dejection in Poland*, bourses ended the first quarter of 1994 with a whimper, *writes Our Markets Staff*.

MILAN continued on its euphoric, post-election course, the BCI index adding 27.45 or 4 per cent to a 44 month high of 722.99 and, on brokers estimates, adding another percentage point to around 730 yesterday, taking the rise over the week to 9 per cent.

The market was hit by a flood of orders from domestic and foreign buyers, encouraged by the speed with which differences were apparently being ironed out by Mr Silvio Berlusconi and the right-wing alliance, committed to free market principles.

Trading was extended on both days to cope with turnover which surged on Thursday to an estimated record L2,000bn compared with the previous L1,400bn peak set on January 31.

In London, Robert Fleming Securities commented that the strong surge in support for the right wing has left the post-election scene much clearer *than had seemed likely*.

Mr Marcus Grubb at Salomon Brothers, who has increased his end of year target for the Comit index from 750 to 775, recommended that investors increase their weightings. *He accepted that volatility* would increase if the newly-elected right-wing alliance experienced difficulties in forming a coalition government, *but said this would be a* buying opportunity.

The insurance sector, an underperformer before this week, continued to power ahead on Thursday, on hopes that the new government would encourage private pension schemes and reports that motor premiums will rise by 7-13 per cent when Rome lifts controls in July. RAS rose L1,754 or 6.5 per cent to L28,879, Fondiaria L776 or 6.2 per cent to L13,214, Toro L2,453 or 8.5 per cent to L31,233 and SAI L1,257 or 6.6 per cent to L20,395. The sector extended its strength yesterday.

FRANKFURT blamed Wall Street again as the Dax index fell 14.42 to 2,133.11, a fraction up on the week but down 5.9 per cent on the first three months of this year.

Turnover fell from DM7.5bn *to DM6.6bn. There was a suggestion of profit taking in cycli*cals. In chemicals, Bayer announced a costly fire and fell *DM5.80 to DM373.20*, but Hoechst also dropped, by DM5.40 to DM323.70. BMW escaped a general automotive downturn with a rise of DM4.50 *to DM828.50*.

RWE, which has had problems in nuclear power generation, fell another DM8.50 to DM438. Metallgesellschaft stretched its recovery to a third day, rising DM11.50 to DM208, but it was still the worst Dax performer of the first quarter with a fall of over 25 per cent, said Mr Eckhard Frahm of Merck Finck in Düsseldorf.

Mr Frahm noted that cyclicals had produced most of the good share price performances in the first quarter, and financials, or defensive stocks the worst. The exception was the top performing stock, Lufthansa, up by more than 25 per cent on the quarter and by over 80 per cent over the past twelve months. The airline's shares, he said, were a speculation on privatisation on attractive terms before the German general election next October.

PARIS was given a slight lift just before midday by a 10 basis point cut in the Bank of France's intervention rate, bringing it down to 5.90 per cent. But this was *not* sufficient to provide momentum for the rest of the session, and the CAC-40 index ended the day off 1.93 at 2,081.94. The index has slipped 2.5 per cent over the week, mainly due to a sharp loss on Wednesday. Turnover was FFr4.8bn.

With *activity restrained* ahead of the long weekend holiday, investors concentrated on a number of companies reporting results. Canal Plus gained *FFr9 to FFr985 after announc*ing a gain in 1993 group profits.

Eurotunnel, which said that its 1993 results would be available on April 21, slipped 45 centimes to FFr43.85.

Saint-Louis, the food group, which announced after the close that it expected "significant" growth in 1994, ended the day up FFr7 at FFr1,715.

AMSTERDAM regained the 400 level in the AEX index, having dipped below it during early trading. The index closed off 0.86 at 403.85, a fall on the week of 0.7 per cent.

There were some exceptions to the generally easier mood. Aegon, the insurance group, gained Fl 1.30 to Fl 94.60 after announcing better than expected 1993 results, and prospects for improvement in 1994.

BolsWessanen , the food and drinks group, added 70 cents to Fl 41.40 as it announced details of its 1993 dividend.

ZURICH finished a quiet, shortened pre-holiday session easier but above the day's lows *after some buying emerged at* the lower levels. The SMI index ended 19.7 down at 2,794.8 after a day's low of 2,769.6, for a fall on the week of 1.3 per cent.

Ciba continued to move against the trend in response *to positive comment after this* week's results and presentations to analysts. The registered shares rose SFr5 to SFr882. Banks were weak on continuing worries about the outlook for US interest rates: *UBS fell SFr14 to SFr1,183, SBC* lost SFr3 to SFr406 and CS Holding dipped SFr5 to SFr625.

ISTANBUL picked up more than 3 per cent on Thursday, and another 6.7 per cent yesterday as investors reacted to the *sharp fall* in overnight borrowing rates from 400 per cent to 200 per cent in two days. The composite index closed at 15,027.77, up 940.61 and by 11 *per cent on the week*.

ATHENS fell 1.6 per cent on Thursday, the general index testing the 1000-point support level for nearly two hours, but it recovered 1.3 per cent yesterday to close 13.04 higher at 1,016.54.1.

A major fall in prices on the Warsaw Stock Exchange saw almost all of its 23 listed stocks down by their maximum 10 per cent daily limit on Thursday, when the WIG all-share index fell by 1,510.2, or 9.4 per cent to 14,536.9, writes *Christopher Bobinski in Warsaw*

The WIG has now fallen by 30 per cent since March 8 when the market first began to weaken.

The latest decline, which started on Monday and which *looks set to continue for a session or two after the holiday*, has taken 22 per cent off the market's total capitalisation – 108,497bn zlotys last Thursday.

The week's fall appears to have been triggered by foreign investors anxious to take profits before the end of the quarter. These disposals completed a month or two during which foreigners realised that average p/e's around the 35 mark were too good to last.

Local investors have been selling to accommodate a steady stream of new share offers and rights issues. This week, the Securities Commission (KPW) said that it expected to receive up to 20 new prospectuses for approval in the near future, was still *examining nine and had* received another three in the past few days.

The Privatisation Ministry itself announced that it intended to pass nine prospectuses to the KPW before the break. These include the Polfa pharmaceuticals factory in Kutno, the Poznan Brewery, two major foreign trade enterprises Rolimpex and Stalexport as well as the Stomil Debica tyre factory.

Four completed rights issues since January have raised 1,413.7bn zlotys while new share offers and rights issues currently on offer are worth a further 1,559.3bn zlotys.

Written and edited by William Cochrane, John Pitt and Michael Morgan

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

Mar 31 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1412.88	1409.63	1409.49	1412.08	1414.02	1419.43	1418.07	1418.70
FT-SE Eurotrack 200	1431.94	1428.70	1428.37	1432.92	1436.49	1440.16	1439.44	1440.06

	Mar 30	Mar 29	Mar 28	Mar 25	Mar 24
FT-SE Eurotrack 100	1416.70	1421.05	1436.59	1412.49	1425.41
FT-SE Eurotrack 200	1446.58	1452.87	1466.31	1449.55	1454.56

Base 1000 (26/10/90); High/day: 100 - 1420.27; 200 - 1442.10 Low/day: 100 - 1408.71 200 - 1427.49

SOUTH AFRICA

Gold shares in Johannesburg recorded small gains following a rise in the price of bullion, while industrials moved lower as political tension continued. There was little direct reaction to the state of emergency declared in Natal.

The overall index rose 2 to 4,937, industrials slipped 50 to 5,644 and gold strengthened 18 to 2,012.

De Beers put on R1.25 to R105 and Anglos R1 to R202. In golds, marginals made some of the steepest gains. Doorns added 15 cents to R2.75 and Loraine 45 cents to R15.25.

ASIA PACIFIC

Nikkei in modest recovery after Thursday's setback

Tokyo

A sharp rise in the yen hurt share prices on Thursday, but the Nikkei regained some ground yesterday on buying by dealers and individuals, *writes Emiko Terazono in Tokyo*.

The Nikkei 225 index, which plunged 447.99, or 2.3 per cent, to 19,111.92 on Thursday, firmed yesterday by 165.24 to 19,277.16, after a low of 19,161.63 and a high of 19,376.08.

The 225 was down 2.8 per cent on the week. Wednesday's fall on Wall Street and fears over mounting US-Japan tensions over trade, which depressed investors' confidence, subsided as the New York stock market regained some ground overnight.

The Topix index of all first section stocks, which fell 25.01 to 1,563.21 Thursday, ended up 7.97 to 1,571.18, while the Nikkei 300 rose 1.38 to 287.11 following a 5.26 point decline the previous day. Volume was 230m shares, against 305m. Gainers led losers by 643 to 361 with 160 unchanged.

Analysts expect the current volatility in share prices to continue due to the uncertainty of yen movements against the dollar, and turmoil on the political front.

On the trading floor, mobile phone related issues were higher. Kenwood, the most active issue of the day, rose Y6 to Y996.

Fuji Photo Film fell Y90 to Y2,200 and Konica lost Y8 to Y630 on a preliminary decision by the US to impose anti-dumping duties on their products.

In Osaka, the OSE average, which fell 254.78 to 21,495.30 on Thursday, rose 60.85 to 21,556.15 in volume of 15.1m shares.

Roundup

The region's markets were upset by the sharp fall on Wall Street on Wednesday. Manila was closed on Thursday and Friday. Seoul, Taiwan, Kuala Lumpur and Bangkok were open on Friday, Taiwan reacting most strongly to the Dow's late recovery on Thursday.

HONG KONG's losses were trimmed by a late round of buying as news that Li Ka-shing's Cheung Kong Group had bought a large site at a government land auction was seen as a vote of confidence.

The Hang Seng index finished 202.30 down at 9,029.91, down 2.2 per cent on the day and the week. Turnover remained scant at HK$4.51bn.

Hongkong Land, 10 cents higher at HK$22.60, bucked the downward trend. AUSTRALIA saw its sixth straight fall, to its lowest since December 1993. The All Ordinaries index lost 39.30 at 2,053.1 down 4.6 per cent on the week, in turnover of A$395m.

Blue chips led the fall, with BHP down 48 cents, or 2.8 per cent, at A$16.48 and News Corp 25 cents at A$8.95.

TAIWAN fell back 1.3 per cent on Thursday, but recovered most of that yesterday when the weighted index rose 59.65 to 5,308.87, 0.8 per cent down on the week. Turnover was T$34bn.

KUALA LUMPUR took its lead from Wall Street, ignoring a Bank Negara's forecast of sustained economic growth and its smaller-than-expected losses on foreign exchange operations. The composite index, which *lost 10.05 on* Thursday, picked up 7.22 to 952.72 yesterday, 1.8 per cent down on the week.

SINGAPORE was cautious about developments abroad and the Straits Times Industrial index ended 47.49 or 2.2 per cent lower at 2,080.90 lower in quiet trading ahead of the long weekend, little changed on the week.

KARACHI declined on profit-taking, the KSE 100-share index falling 23.24 to 2,540.46. Losers led gainers 112 to 237.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	THURSDAY MARCH 31 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	WEDNESDAY MARCH 30 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1993/94 High	1993/94 Low	Year ago (approx)
Australia (69)	162.46	-2.1	162.25	105.52	141.01	154.14	-2.1	3.54	165.93	166.33	108.55	144.82	157.43	189.15	130.19	137.66
Austria (17)	181.00	0.4	180.76	117.58	157.10	157.36	0.0	0.99	180.34	180.76	117.97	157.39	157.32	195.41	138.63	142.66
Belgium (42)	165.99	0.5	165.77	107.81	144.07	140.85	0.0	3.83	165.16	165.56	108.05	144.15	140.91	171.69	141.92	152.66
Canada (107)	130.33	-0.2	130.16	84.66	113.12	130.48	0.1	2.57	130.58	130.87	85.41	113.95	130.29	145.31	121.46	123.35
Denmark (32)	264.60	0.7	264.24	171.85	229.66	236.17	0.0	0.99	262.79	263.42	171.91	229.35	236.17	275.79	204.85	204.85
Finland (22)	142.01	1.0	141.82	92.23	123.25	162.77	0.0	0.91	140.56	140.90	91.95	122.67	162.77	156.72	78.20	78.20
France (98)	170.40	0.6	170.18	110.67	147.90	152.39	0.0	2.95	169.32	169.73	110.77	147.78	152.45	186.37	149.60	165.09
Germany (59)	137.25	-0.1	137.07	89.14	119.13	119.13	-0.6	1.75	137.35	137.69	89.85	119.88	119.89	142.36	107.59	114.87
Hong Kong (56)	374.82	-2.3	374.13	243.32	325.16	371.66	-2.2	2.86	383.29	384.22	250.74	334.53	380.19	506.56	250.94	258.74
Ireland (14)	181.57	-0.8	181.33	117.93	157.59	178.03	-1.5	3.36	183.07	183.52	119.76	159.78	180.79	209.33	155.93	180.55
Italy (69)	87.19	6.0	87.07	56.63	75.67	104.74	4.4	1.63	82.22	82.42	53.79	71.76	100.38	87.19	55.35	55.35
Japan (469)	151.71	-1.0	151.51	98.53	131.68	98.53	-1.7	0.82	153.29	153.67	100.28	133.79	100.28	165.91	124.53	124.53
Malaysia (69)	441.05	-2.5	440.48	286.47	382.82	466.09	-2.6	1.67	452.52	453.63	296.03	394.96	468.30	621.63	280.21	280.21
Mexico (18)	2051.85	-1.9	2049.13	1332.66	1780.90	7532.84	-1.9	0.67	2092.25	2097.32	1368.69	1826.03	7690.72	2647.08	1431.17	1882.17
Netherland (26)	195.19	0.2	194.94	126.78	169.42	167.20	-0.3	3.37	194.76	195.23	127.41	169.98	167.76	207.43	163.30	169.42
New Zealand (14)	62.89	0.8	62.81	40.85	54.59	59.42	0.7	3.92	62.39	62.55	40.82	54.46	59.02	77.59	46.71	46.24
Norway (23)	193.57	0.6	193.32	125.72	168.01	190.86	0.0	1.74	192.34	192.80	125.82	167.86	190.86	206.42	150.61	155.85
Singapore (45)	304.51	-2.5	304.11	197.78	264.31	220.25	-2.6	1.81	312.49	313.25	204.42	272.73	226.08	378.92	224.39	224.82
South Africa (60)	233.10	0.0	232.79	151.40	202.32	250.42	-0.1	2.45	233.17	233.73	152.53	203.50	250.74	280.26	161.99	178.20
Spain (42)	140.24	0.8	140.05	91.08	121.72	144.62	0.0	4.10	139.12	139.45	91.01	121.42	144.62	155.79	116.33	131.46
Sweden (36)	205.30	0.2	205.03	133.34	178.20	237.59	-0.6	1.65	204.80	205.30	133.97	178.74	239.10	230.02	158.27	158.27
Switzerland (49)	161.94	0.4	161.73	105.18	140.56	141.45	-0.6	1.65	161.32	161.71	105.53	140.79	142.32	176.56	117.90	118.07
United Kingdom (215)	188.33	0.1	188.06	122.32	163.46	188.08	-0.2	3.91	188.10	188.55	123.05	164.17	188.55	214.98	170.32	174.91
USA (519)	181.63	0.0	181.39	117.97	157.64	181.63	0.0	2.91	181.60	182.04	118.80	158.49	181.60	196.04	176.91	184.54
EUROPE (744)	165.71	0.6	165.49	107.62	143.82	156.76	-0.1	2.93	164.73	165.13	107.76	143.77	156.82	178.56	141.58	143.89
Nordic (113)	202.30	0.5	202.04	131.40	175.59	204.17	-0.3	1.39	201.31	201.80	131.69	175.70	204.66	220.60	150.44	150.44
Pacific Basin (722)	159.54	-1.2	159.33	103.62	138.48	108.32	-1.8	1.11	161.48	161.87	105.64	140.94	110.32	169.80	129.03	129.03
Euro-Pacific (1466)	161.98	-0.5	161.74	105.19	140.57	127.19	-1.1	1.88	162.65	163.06	106.42	141.96	128.56	170.76	134.99	134.99
North America (626)	178.44	0.0	178.20	115.90	154.88	178.07	0.0	2.90	178.43	178.86	116.72	155.72	178.03	192.73	173.70	180.76
Europe Ex. UK (529)	149.71	0.9	149.51	97.24	129.94	137.45	0.1	2.35	148.43	148.79	97.10	129.54	137.34	155.73	122.37	124.62
Pacific Ex. Japan (253)	236.75	-2.2	236.44	153.77	205.50	217.91	-2.2	2.81	242.02	242.61	158.32	211.23	222.77	296.21	172.68	173.29
World Ex. US (1651)	162.95	-0.5	162.73	105.84	141.43	130.39	-1.0	1.68	163.69	164.09	107.08	142.86	131.75	172.61	135.97	135.97
World Ex. UK (1955)	166.22	-0.3	166.00	107.96	144.27	142.37	-0.7	2.09	166.76	167.17	109.09	145.54	143.37	175.59	149.07	149.07
World Ex. So. Af. (2110)	167.82	-0.3	167.59	109.00	145.66	145.62	-0.7	2.26	168.30	168.71	110.10	146.89	146.59	178.56	151.27	151.27
World Ex. Japan (1701)	178.86	0.0	178.63	116.17	155.24	174.48	-0.2	2.87	178.80	179.24	116.97	156.06	174.82	195.20	164.42	167.07
The World Index (2170)	168.17	-0.3	167.96	109.23	145.97	146.44	-0.7	2.26	168.65	169.06	110.33	147.19	147.41	178.97	151.33	151.33

Markets closed 31/3/94: Denmark, Finland, Norway and Spain. Latest prices were unavailable for this edition.

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option	Calls	Puts
Allied-Lyons (*542)	[illegible]	[illegible]
Argyll (*253)	[illegible]	[illegible]
ASDA (*58)	[illegible]	[illegible]
Brit Airways (*404)	[illegible]	[illegible]
Sainsbury A (*371)	[illegible]	[illegible]
Boots (*504)	[illegible]	[illegible]
BP (*349)	[illegible]	[illegible]
British Steel (*142)	[illegible]	[illegible]
Bass (*530)	[illegible]	[illegible]
Cable & Wire (*455)	[illegible]	[illegible]
Courtaulds (*523)	[illegible]	[illegible]
Comm Union (*571)	[illegible]	[illegible]
ICI (*792)	[illegible]	[illegible]
Kingfisher (*576)	[illegible]	[illegible]
Land Securities (*626)	[illegible]	[illegible]
Marks & Spencer (*407)	[illegible]	[illegible]
NatWest (*458)	[illegible]	[illegible]
Sainsbury (*375)	[illegible]	[illegible]
Shell Trans (*659)	[illegible]	[illegible]
Storehouse (*225)	[illegible]	[illegible]
Trafalgar (*85)	[illegible]	[illegible]
Unilever (*1010)	[illegible]	[illegible]
Zeneca (*724)	[illegible]	[illegible]
Grand Met (*450)	[illegible]	[illegible]
Ladbroke (*194)	[illegible]	[illegible]
Utd Biscuits (*332)	[illegible]	[illegible]
Fisons (*128)	[illegible]	[illegible]
Brit Aero (*487)	[illegible]	[illegible]
BAT Inds (*456)	[illegible]	[illegible]
BTR (*361)	[illegible]	[illegible]
Brit Telecom (*391)	[illegible]	[illegible]
Cadbury Sch (*464)	[illegible]	[illegible]
Eastern Elec (*873)	[illegible]	[illegible]
Guinness (*466)	[illegible]	[illegible]
GEC (*286)	[illegible]	[illegible]

RISES AND FALLS

	On Thursday Rises	Falls	Same	On the week Rises	Falls	Same
British Funds	64	4	6	169	96	31
Other Fixed Interest	4	0	11	10	1	49
Mineral Extraction	30	98	77	188	332	300
General Manufactures	100	256	324	446	903	1,372
Consumer Goods	28	73	91	147	257	354
Services	60	195	261	340	623	1,105
Utilities	27	12	7	87	63	34
Financials	47	219	123	328	619	609
Investment Trusts	10	296	154	193	743	904
Others	11	90	45	131	269	161
Totals	381	1,243	1,099	2,039	3,906	4,929

Data based on those companies listed on the London Share Service.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	31.0	247	241	Abtrust N Dawn C	246		-	-	-	-
135	F.P.	40.9	142	134	Applied Distbn	135	-1	WN3.6	2.4	3.3	15.9
100	F.P.	11.2	88	85	Baronsmead Inv	88		-	-	-	-
165	F.P.	449.3	168	158	Beazer Homes	160		L5.0	2.2	3.9	14.0
-	F.P.	9.45	137	133	Brightstone	135		L3.75	1.2	3.5	30.6
-	F.P.	743.7	209	206	Capital Shop C'tre	206	-2	u6.5	0.7	3.9	49.6
-	F.P.	122.0	65	61	Central Euro Gwth	61	-1	-	-	-	-
-	F.P.	9.62	£67½	£67	Chester Water	£67		†235.0	4.3	3.4	9.0
-	F.P.	19.0	325	283	Coal Invs Units	305	+10	-	-	-	-
-	F.P.	36.9	125	125	County Smllr C	125		-	-	-	-
-	F.P.	5.43	12	12	Dominion Energy	12		-	-	-	-
-	F.P.	73.0	225	200	Domnick Hunter	224		W4.25	2.2	2.4	24.1
-	F.P.	40.2	100	98½	Edin Small Co's C	98½	-½	-	-	-	-
-	F.P.	1,220.0	498	485	F & C Inc Grwth	488	-2	-	-	-	-
-	P.P.	12.0	50	48	F & C Private Eq	48		-	-	-	-
130	F.P.	32.5	155	130	Finelist	149		R3.3	2.3	2.8	19.3
-	F.P.	2,591.0	£31½	£21⅛	Franklin Res	£31½		Q28c	-	0.6	-
-	F.P.	51.5	103	100	Gartmore Brit Inc	103		-	-	-	-
-	F.P.	106.5	213	208	Do Units	213		-	-	-	-
170	F.P.	65.3	177	149	Goldsborough Hlth	149		WN3.3	2.6	2.8	18.3
-	F.P.	20.9	113	111	Groupe Chez Grd	112		b-	-	-	16.2
-	F.P.	162.0	190	178	Inspec	190	+5	-	-	-	-
$1	F.P.	83.0	62	53	Israel Fund	54¼	+¼	-	-	-	-
-	F.P.	70.6	110	87	MAID	87	-14	-	-	-	-
260	F.P.	244.0	258	240	McDonnell Info	244	-5	W6.25	2.3	3.2	17.1
140	F.P.	228.9	172	163	Midland Indp Nws	166	-1	WN2.8	2.3	2.1	22.7
100	F.P.	112.5	93	90	Morgan G Ltn Am	90		-	-	-	-
-	F.P.	5.98	105	98	Newport	98		-	-	-	-
-	F.P.	80.9	157½	154	Nottingham	154	-2½	u5.52	1.8	4.5	15.1
-	F.P.	65.8	228	218	Partco	223	+4	L5.35	2.2	3.0	19.2
-	F.P.	5.24	200	198	Ptarmigan Int'l C	199		-	-	-	-
100	F.P.	65.0	103	93	Robert Wiseman	102		R2.5	2.8	3.1	15.4
-	F.P.	114.6	508	489	Schroder UK Gwth	489	-1	-	-	-	-
-	F.P.	32.6	149	138	Trafficmaster	149		-	-	-	-
100	F.P.	27.5	137	100	Uniplam	136		b-	-	-	-
170	F.P.	100.2	170	161	Wainhomes	161	-9	R4.2	1.5	3.3	17.4
60	F.P.	10.4	72	63	Waste Recycling	64		-	-	-	26.1
205	F.P.	62.0	220	203	Wellington	220	+1	W5.17	2.0	2.9	21.3

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	Low	Stock	Closing price p	+or-
225	Nil	9/5	40½pm	33pm	Acal	33pm	
460	Nil	15/4	53pm	34pm	Allied Lyons Uts	37pm	-9
65	Nil	18/4	85pm	42pm	Coal Invs Units	45pm	-28
55	Nil	17/5	26pm	18pm	DCS	20pm	-6
6	Nil	11/5	1pm	1pm	¾Durlon	1pm	
62	Nil	28/4	10½pm	1½pm	Haden MacLellan	1½pm	-1
280	Nil	4/5	43pm	23pm	Henlys	23pm	
25	Nil	9/5	2½pm	1½pm	Hollas	1½pm	
IR400	Nil	9/5	33pm	33pm	Irish Contl	33pm	
282	Nil	13/5	10pm	7pm	Persimmon	7pm	
280	Nil	20/4	18pm	6pm	Proteus Intl	6pm	-8
60	Nil	6/5	10pm	6pm	Proudfoot	9pm	
85	Nil	25/5	12pm	4pm	Richardson West	4pm	
115	Nil	11/5	12½pm	11½pm	Senior Eng	11¾pm	
72	Nil	11/5	11pm	9½pm	Staids	9½pm	
150	Nil	5/5	15pm	7pm	Union	7pm	-2
30	Nil	6/5	11pm	2pm	Upton & Sthn	2pm	

FINANCIAL TIMES EQUITY INDICES

	Mar 31	Mar 30	Mar 29	Mar 28	Mar 25	Yr ago	*High	*Low
Ordinary Share	2439.2	2445.6	2470.1	2478.6	2473.1	2223.1	2713.6	2124.7
Ord. div. yield	3.82	3.80	3.74	3.74	3.74	4.43	4.62	3.43
Earn. yld. % full	5.21	5.19	5.09	5.08	5.09	6.19	6.38	3.62
P/E ratio net	20.85	20.94	21.32	21.39	21.35	20.05	33.43	19.40
P/E ratio nil	21.73	21.82	22.23	22.34	22.30	18.63	30.80	18.14

*For 1993/94. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2431.6	2429.1	2430.0	2428.6	2435.5	2438.4	2444.8	2441.2	2444.0	2445.8	2423.9

	Mar 31	Mar 30	Mar 29	Mar 28	Mar 25	Yr ago
SEAQ bargains	40,601	46,349	41,243	37,420	45,399	43,519
Equity turnover (£m)†	-	1759.2	1512.6	1183.2	2208.1	1318.9
Equity bargains†	-	55,855	50,787	44,268	50,368	52,824
Shares traded (ml)†	-	674.1	641.1	477.3	720.8	643.2

† Excluding intra-market business and overseas turnover.

FT GOLD MINES INDEX

	Mar 31	% chg on day	Mar 30	Mar 29	Year ago	Gross div yield %	52 week High	Low
Gold Mines Index (34)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1280.30
Africa (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1468.27
Australasia	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1365.52
North America (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1177.42

Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. Predecessor Gold Mines Index: [illegible] Partial

BANKS

	Notes	Price	+ or –	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£23⅛	+⅛	£25¼	£16¼	6,450	4.8	ф
ANZ A$		224½	–6½	276¾	130	2,937	4.0	17.7
Abbey National	qN□	465½xd	–3½	524	345	6,107	3.8	15.6
Allied Irish IE	4□	243xd	–1	314	179	1,801	5.1	ф
Anglo Irish IE	MN□	57	–1	*70	28	196.2	7.5	10.4
Asahi Y		699¼	+1	844	415	16,200	0.7	–
Banco Bil Viz Pta		£15½	–⅛	£17⅞	£13⅞	3,578	5.3	7.0
Banco Sant Pta		£31⅝	—	£36	£24⅞	3,513	4.3	12.1
Bank Leumi (UK)		430xd	—	450	325	35.2	5.8	ф
Bk Ireland IE	4□	250	–1	*319	177	1,178	5.0	18.4
Bank Scotland	ф†□	190	–9½	247	118½	2,211	3.1	25.8
9¼pc Pf		128¼	+1	141½	117¼	128.2	9.0	–
9¾pc Pf		135	+¾	148½	123½	135.0	9.0	–
Barclays	qN□	524xd	–5	652	362	8,605	3.6	28.8
Dai Ichi Kan Y		£11⅞	—	£16⅞	£8⅞	34,821	0.5	65.3
Deutsche DM		£319⅞	–2⅝	£348⅞	£250½	15,219	1.9	–
Espirito Santo		£20⅝	–⅛	£28⅞	£18½	221.5	3.9	5.0
First Nat Fin	N□	74	–2	*95	45	122.8	2.5	–
8.5pc Cv Pf		95	—	*81	55	5.72	9.3	–
7pc Cv Pf		152	–2	171	108	72.1	5.8	–
Fuji Bank Y		1419¼	–31	1651	876	41,096	0.4	–
HSBC HK	□	754xd	–7	1139	474	13,240	3.9	ф
HSBC (75p Shs)	□	739xd	—	1113	490	6,251	4.0	ф
Lloyds	N□	569xd	–2	690	492	7,103	4.9	11.8
Mitsubishi Y		£17⅞	–⅛	£19¼	£11⅞	51,538	0.3	–
Mits Tst & Bk Y		983¼	–62	1027¼	462½	12,421	0.5	15.3
Mitsui Tst & Bk Y		781½	–36¾	852	374	8,405	0.8	23.9
Nat Aust A$		537¼	–11	620¼	322	7,070	4.4	13.1
NatWest	qN□	459½xd	–7½	534	338	7,836	5.0	12.8
Ottomane FFr		£30½	—	£33	£23¼	152.5	4.8	7.3
Ryl Bk Scotland	ф4N□	408	–1	528	207	3,247	3.4	18.4
Sakura Y		£8⅞	–⅛	£11	£5⅛	28,784	0.7	50.5
Sanwa Y	s	£14⅞	–⅛	£16	£7¼	41,264	0.4	–
Standard Chartd	qN□	1041xd	+1	1437	576	2,498	2.9	10.2
7 3/8pc Pf		95½xd	+1	108½	92¼	95.5	9.7	–
Sumitomo Y		£13⅞	–⅛	£16¼	£8⅞	41,283	0.4	28.3
Sumitomo Tst Y		993¼	+28¼	1007½	437½	12,353	0.5	77.8
TSB	N□	216½xd	–1½	231	145½	3,297	4.5	14.7
Tokai Y		£7⅞	–⅛	£9⅞	£4⅞	14,913	0.7	49.1
Toyo Tst & Bk Y		695	–40	840	411	5,461	0.7	62.0
Westpac A$		214	–6	260	121	3,751	2.5	ф
Yasuda Tst Bk Y	‡	654	–1¼	690	343	6,110	0.9	49.4

BREWERIES

	Notes	Price	+ or –	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
Ascot Hldgs	□	7¼	—	16½	4½	26.9	–	–
Bass	N□	532	–3	647	441	4,683	4.7	14.2
Boddington	qN□	269xd	–5	299	189	314.9	3.9	13.2
Burtonwood		169	—	193	129	35.2	3.5	14.1
Eldridge,Pope A	ф4	151	–6	181	75	29.4	2.9	20.9
Fosters A$		59¼	–¼	70½	50	1,808	5.2	69.0
Fuller STA	ф†	438	—	493	338	88.9	2.1	18.4
Gibbs Mew	ф†	420xd	—	423	148	27.0	2.5	20.8
Greenalls	4N□	431	–4	511	347	699.9	3.6	14.6
Greene King	†N□	499	–6	584	493	208.5	3.2	13.8
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

BUILDING MATS. & MERCHANTS - Cont.

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

ENGINEERING, VEHICLES - Cont.

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD MANUFACTURERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

RETAILERS, FOOD

RETAILERS, GENERAL

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

	Notes	Price	+ or −	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
Stagecoach	LN□	175	—	208	112	217.5	2.7	21.3
TNT AS		95½	−¾	121	31½	598.1	–	–
Tibbett & Britten	♣□	839	−1	916	624	370.0	2.1	ϕ
Tiphook	N□	45	−1	382	37	59.9	–	–
Transport Dev	♣N□	287xd	−6	327	227	382.5	4.4	17.9
Upland Intl	□	121	—	132	98	29.0	–	–
United Carriers	□	153	—	169	153	51.8	–	–
Vard NKr		£4¹¹⁄₁₆	+⅛	£5½	£1⅝	141.8	–	–
Wah Kwong HK$		145	−½	148½	87½	184.7	3.0	8.0

WATER

	Notes	Price	+ or −	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglian	♣†N□	528xd	+9	610	455	1,557	5.1	9.3
Bristol Water	†N	1080	−5	1120	775	72.4	3.6	13.3
Chesm A	†	448	—	488	195	22.7	3.3	16.0
B NV		433	—	473	180	18.4	3.2	15.4
East Surrey	†	383	−6	413	270	48.5	3.8	9.5
Mid Kent	†N	350	−9	385	244	59.9	3.8	12.9
North West	†N□	546xd	+4	611	431½	2,014	5.1	8.9
Northumbrian	♣†N□	650xd	+11	761	547	440.0	4.4	7.6
Severn Trent	♣†N□	570xd	+7	645	439	2,046	4.7	8.3
South Staffs	♣†	1553	—	1695	1225	87.0	3.9	11.1
South West	†N□	592xd	—	675	465	704.2	5.4	9.1
Southern	†N□	574xd	+4	635	454	963.2	4.8	8.4
Thames	♣†N□	525	+5	611	454	2,083	5.1	9.2
Welsh	†N□	653xd	−8	744	506	948.8	4.6	8.6
Wessex	†N□	667xd	−1	*750½	536	835.1	4.2	10.6
York W'works	♣†	345	—	351	210	21.3	3.4	15.2
Yorkshire	♣†N□	618xd	+2	639	473½	1,094	5.3	8.8

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or −	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£22¼	—	£23½	£7½	1,329	3.3	ϕ
Barlow		£3½	—	£5¼	£3½	773.2	8.3	7.2
Gold Fields SA R		£13⅝	+½	£18	£7¼	1,314	2.9	22.9
MK Props	s	90	—	97	68	3.62	9.9	37.0
SASOL	♥	319	—	381	215	1,807	4.9	–
SA Brews		£11¼	—	£15½	£7½	6,361	2.3	18.4
Tiger Oats		663	—	838	513	995.8	2.5	14.0
Tongaat-Hulett	†	551	—	589	212	412.4	2.7	15.4

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is *indicated after the name.*

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. *Dividends and Dividend covers are published on Monday*

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK *stocks through the SEAQ International system.*
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ *Free annual/interim report available, see details below.*
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § *Forecast dividend yield; p/e based on earnings updated by latest* interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

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FINANCIAL TIMES
Weekend April 2/April 3 1994

Bank hopes to raise FFr35bn from disposals

Crédit Lyonnais plans to speed up asset sales

By Alice Rawsthorn in Paris

Crédit Lyonnais, the troubled French bank which is the subject of a FFr44.9bn ($7.8bn) government-backed rescue package, plans to accelerate its asset sales by selling up to FFr35bn of its industrial holdings, according to Mr Jean Peyrelevade, chairman.

Mr Peyrelevade, who was drafted into Crédit Lyonnais by the Balladur government in November to orchestrate the rescue and prepare the bank for privatisation, had already announced plans to sell FFr20bn of assets by the end of next year.

But he now intends to make additional disposals worth up to FFr15bn, he said in an interview with the Financial Times.

"We plan to sell FFr20bn of assets over the next two years, but we won't stop there," he said. "Our portfolio is now worth between FFr50bn and FFr55bn. We'll continue to sell assets until it has been reduced to around FFr20bn."

Crédit Lyonnais amassed a large number of industrial investments as part of the aggressive expansion pursued by Mr Jean-Yves Haberer, its chairman for five years until Mr Peyrelevade's arrival. The Haberer regime is now the subject of an official inquiry in France after the announcement last month of the rescue deal and of the group's FFr6.9bn net loss for 1993.

The French government yesterday announced that it was postponing the privatisation of Banque Hervet, the medium-sized banking group, and that it was providing a capital injection of FFr750m (£85.91m) to try to stabilise its finances, writes Alice Rawsthorn.

The bank was badly affected by the recession and yesterday reported a FFr1.2bn loss for 1993, prompting the state injection and the decision to delay its sale.

Hervet, which is 55.41 per cent state-owned, was scheduled for sale on a private basis later this year. Crédit Commercial de France, the retail banking group that owns 34 per cent of Hervet, was seen as the likeliest buyer.

Most of Crédit Lyonnais's investments are minority stakes in corporate clients. The focus for the disposal programme is expected to be on its holdings in private sector companies – such as Bouygues and Navigation Mixte in construction, and Christian Dior in luxury goods. The group has recently sold minority holdings in the Union des Assureurs Fédérales insurance group and TF1 television station. However, it is expected to hold on to its investments in other state-controlled companies – including Usinor-Sacilor, the steel maker, and Aérospatiale, the aerospace group – as these holdings would be more difficult to sell.

Mr Peyrelevade said he did not object in principle to a commercial bank adopting the role of a German-style industrial bank. He stressed, however, that Crédit Lyonnais was not in a financial position to afford such a strategy.

"It's not that I don't believe in the concept of an industrial bank taking minority stakes in his clients," he said. "But they must be good investments with growth potential and the bank must be able to afford it."

One of Crédit Lyonnais's most complex disposals will be that of MGM, the stricken Hollywood movie studio that it must, under US banking regulations, sell by mid-1997. Mr Peyrelevade said he had been approached by a number of potential purchasers for the studio, which is the subject of legal suits.

Paribas recovery, Page 13
Renault profits fall, Page 13

Barings freezes Peps business as price war weakens returns

By Peggy Hollinger

Barings said yesterday it would stop taking applications for personal equity plans, the first indication of a possible shake-up in the £3bn-a-year Pep market.

Baring Global Fund Managers, the merchant bank's asset managing arm, is putting its Pep business on hold pending a review of its long-term retail operations. Peps, introduced in 1989, are popular tax shelters for private investors. Up to £6,000 a year can be invested free of capital gains or income tax. A further £3,000 can be invested tax-free in single-company Peps.

Barings is a relatively minor provider of Peps, which represent just £15m of its £3bn in managed assets. Other groups in the highly fragmented market may soon follow its example, as returns from Peps begin to weaken. Increasing regulation and an intense price war have substantially raised the costs of participation for groups without a large market share.

Earlier this year M&G, the UK's largest Pep provider, abandoned the initial charge on its managed income fund. Most other Pep providers have followed M&G with some form of discount.

Mr Nick Wells, Barings product development manager, said the bank's relatively minor position in the Pep market and its reluctance to discount had prompted the decision to stop taking applications from next Tuesday, the end of the 1993-94 tax year.

The bank had also decided that the Pep market would become even more difficult in future. Competition would become increasingly cut-throat, as opportunities for discounting developed in the transfer market, which allows plan-holders to switch managers.

Barings has not yet decided whether to withdraw completely from Peps. A decision would be announced after the review was completed, Mr Wells said.

The extension of unit trust allowances and, more recently, the fall in interest rates have sharply increased the popularity of Peps. The market, which has more than doubled since 1992, is expected to reach £5bn this year.

However, returns have been diluted by the price war. One leading provider estimated it would now take up to five years to make a profit in the new, more aggressive environment.

This made it difficult for niche specialists such as Barings to remain competitive, he said. "It is difficult to stay in this market unless you are prepared to enter it in full," he said. "We have the benefit of volume and that is an important factor."

Companies may have to honour rival tickets

Continued from Page 1

want to extend "interavailability" to cover Saver and Supersaver discount fares. Season and full-fare tickets would be valid across the network under the original rules.

But the cheapest fares, Apex tickets which must be bought at least seven days in advance and which apply to a particular train, would not be covered by the new arrangement. However, Mr Salmon estimates that more than 80 per cent of journeys would now be included.

Fears about this issue were fanned earlier this year with the publication of an internal BR memo by a senior manager. The document described the government's promise that rail companies would honour each other's tickets as "a bit of a con" because discounted fares were excluded.

Russia agrees to private ownership of farmland

By John Lloyd in Moscow

The Russian cabinet has agreed a plan allowing state and collective farms to auction off land to their workers as private property – the first time Russians will be able to acquire title to land in the country's history.

This potentially massive shift in property rights in the agricultural sector was agreed by ministers on Thursday. The decree law, which does not have to be approved by parliament, will be signed by Mr Victor Chernomyrdin, the prime minister, when he returns from a trip to Hungary next week.

The decision follows a year-long pilot project developed between the International Finance Corporation – an arm of the World Bank – and the administration of the Nizhny Novgorod region north east of Moscow. Mr Chernomyrdin surprised both radicals and conservatives last month when he praised the Nizhny project.

The decree instructs local authorities to introduce the system pioneered in Nizhny throughout their areas, though state and collective farms will be able to choose whether or not to take it up.

Under the system, farm workers and pensioners each receive a voucher entitling them to a part of the land and machinery. They are encouraged to form companies with other workers to bid for, and create, viable farm units. The Nizhny experiment shows that most workers do form co-operative enterprises.

Nizhny will remain central to the wider scheme, receiving a large slice of the initial Rbs18bn (about £6.6m) set aside for the programme to develop a centre for the training of managers and workers of privatised farms.

The programme is particularly significant because of the conservative leadership of the agricultural sector, represented in the cabinet by Mr Alexander Zaveryukha, the deputy prime minister, and Mr Victor Khlystun, the agricultural minister. These ministers have already signed the decree with Mr Anatoly Chubais, the radical deputy premier for privatisation, who is likely to take overall charge of the programme.

Although parliamentary approval is not needed for the decree itself, it will probably be required for the detailed legislation. Opposition among the deputies may make its passage uncertain, but support from conservative ministers will help, as will signs of its popularity with farm workers.

Before the Communist revolution, legal title to all land was vested in the Tsar. The seizure of land from peasants for collectivisation during the late 1920s and early 1930s caused widespread starvation which killed millions of people.

THE LEX COLUMN

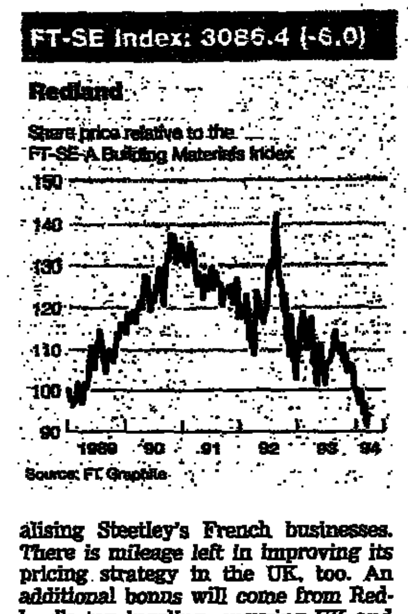
Wall Street blues

Judging by the price falls of recent days, fear has a head start over greed in the minds of US investors at present. Wall Street falls on Mexican assassinations, Wall Street falls on trade worries with Japan. Behind the excuses, Wall Street falls because once the prop of 6 per cent bond yields is removed, the yield on shares looks very meagre indeed. The vertigo and price falls are made worse by the heavy flow of speculative money into capital markets last year, which is now starting to reverse. In the face of such psychology, this year's earnings recovery is small consolation.

It may take some stability in the US Treasury bond market to restore confidence to equities. The fear that short term interest rates may rise above 5 per cent next year in an effort to bring growth down to a non-inflationary rate has sparked a rise in bond yields to 7 per cent. Yesterday's employment data, showing the strongest monthly job creation since 1987, reinforce the impression of strong economic growth. While rising inflation is not yet obvious, a lack of surplus capacity means that it may not be far away.

Once the scale of the problem is better gauged, a gap between short and long interest rates of 2 percentage points should be perfectly sustainable. Before then, however, uncertainty and natural over-reaction may force long rates higher. US equities may well suffer too, since there is little incentive to buy and speculative hedge funds are being forced to sell. There is fundamental value in shares, but until the immediate pressures start to moderate, that may pass unnoticed.

FT-SE Index: 3086.4 (-6.0)



Source: FT Graphite

Redland

Redland makes a convincing case that its German wonder story will continue for a while. Sales in the west may soften next year as tax subsidies for housing decline, but Redland achieved the notable feat of making more money in east Germany than in the UK last year. That part of the German market, at least, should keep sales marching strongly ahead – although there must be longer term doubts over whether a 24 per cent return on sales will eventually invite fiercer competition.

Whatever happens in Germany, Redland should still benefit from an upturn in volumes and prices in the UK and France, where it makes operating margins of just 4 per cent on turnover of almost £900m. Redland has still to reap the full benefits of rationalising Steetley's French businesses. There is mileage left in improving its pricing strategy in the UK, too. An additional bonus will come from Redland's tax juggling, ensuring UK and French profits are effectively earned tax-free.

Even so, Redland's earnings may prove lacklustre set against its UK peers because of the spread of its operations and the profusion of shares. The prospects for dividend increases are also comparatively dull. Redland was one of the few building materials companies not to have cut its dividend during recession. That has left it with an uncomfortably high pay-out ratio. But in today's market conditions, Redland's dividend yield of almost 6 per cent makes its shares look more defensible than most.

Deutsche Bank

There is a refreshing candour about Deutsche Bank's admission that it does not expect much by way of earnings increase this year. Last year's 23 per cent jump in group net profit owed much to special factors that will not easily be repeated. These include not only a 76 per cent increase in earnings from proprietary trading, but also a substantially higher contribution from commission income which reflected the general buoyancy of financial markets. While net interest income rose 7 per cent, margins fell slightly. The bank expects the squeeze to continue in 1994.

Classic continental accounting practice might suggest that Deutsche has chosen to smooth the large 1993 increase in operating profit by adding heavily to its loan loss provisions. These are indeed up 72 per cent, but there appears to be only limited scope for reducing them this year to compensate for any loss of momentum at the operating level. Deutsche itself has repeatedly warned that bad debts may continue even when economic recovery starts, and it is not as if the 1993 provisions are particularly high in the first place. At DM3.3bn they are not quite 1 per cent of total group lending.

In contrast to British banks, which out-performed the local equity market strongly as interest rates came down, Deutsche under-performed the Dax index by some 12 per cent over the past year. Despite the 10 per cent increase in its dividend, there seems scant prospect of that trend reversing itself, especially since financial market turmoil makes trading profits uncertain.

Life insurance

This week Norwich Union became the latest life insurer to concede – under pressure from its regulator – that its sales force is not up to scratch. But while the regulator's more robust attitude should be welcomed, improved training and supervision may not, in themselves, stop life insurance being mis-sold. Whatever their training, commission-based salesmen have a powerful economic incentive to favour certain products.

Full disclosure of commissions from next year may change that, since the true costs of buying life insurance will be clearer. Spreading commissions through the life of a product rather than charging up-front would be one way of making the costs easier for customers to swallow. Such level charging would give salesmen an incentive to sell policies which are likely to run their full course. Surrender values should also improve, unless companies introduce exit charges or penalties to weight the risk of early surrender back in their favour.

The snag is that the transition to level charging would squeeze life companies and independent financial advisers which rely on up-front commissions to meet working capital requirements. That points to a wider range of commission structures, and perhaps more customer choice about how to pay. Whichever system emerges, though, life insurers must find a way of selling more policies which run to maturity. Otherwise the regulator is sure to ask whether long-term life and pensions products should be sold on commission at all.

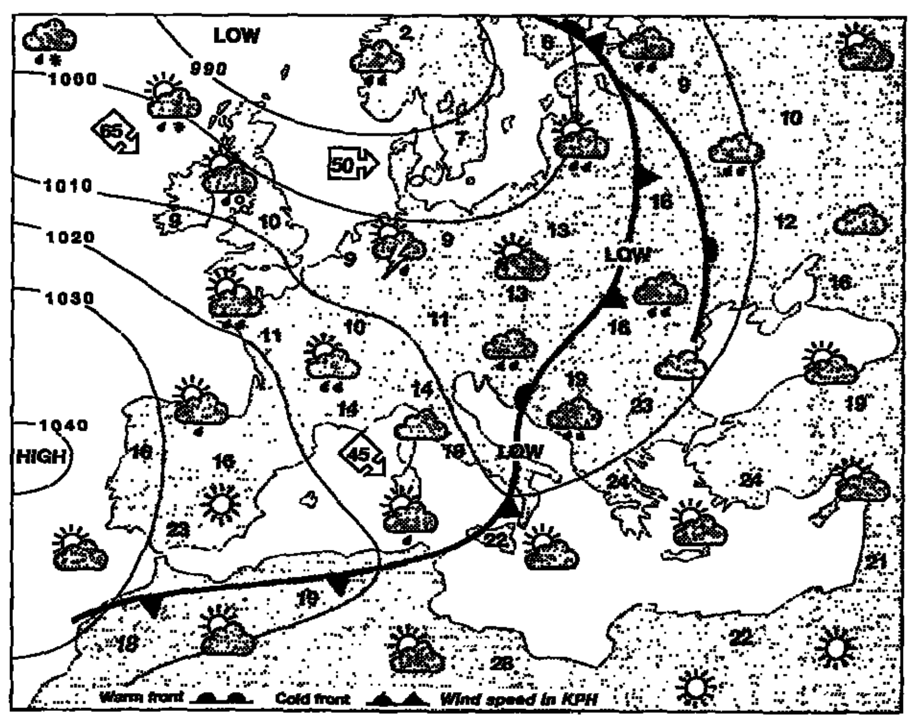
FT WEATHER GUIDE

Europe today

It will be very unsettled in the UK, Benelux, southern Scandinavia, Germany and northern France. Widespread blustery showers will bring hail, sleet and thunder but the sun will still break through at times. Winds will be near gale-force in the North Sea area while the coasts of northern Ireland and Scotland will experience gale-force north-westerlies. There will be rain and very little sun in central France and the Alps. Heavy rain is likely in the northern Balkans. Northern Spain will have morning showers while the south will be sunny and breezy. Eastern Mediterranean regions will have the best conditions.

Five-day forecast

The UK will have a wet and windy Easter with rain on Sunday and frequent showers on Monday. Benelux, Germany, France and the Alps will be showery on Sunday with snow on higher ground, but there will also be periods of sun. On Monday most areas will have outbreaks of rain. Showers will lighten in the northern Mediterranean area and in southern Spain there will be abundant sunshine. After Easter the weather will remain unsettled and cool in much of Europe.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Belfast	shower	8	Cardiff	hail	8	Frankfurt	shower	10	Malta	fair	22	Rio	fair	27
	Celsius		Belgrade	cloudy	18	Chicago	cloudy	14	Geneva	rain	8	Manchester	shower	8	Riyadh	fair	30
Abu Dhabi	fair	31	Berlin	fair	12	Cologne	hail	9	Gibraltar	sun	22	Manila	cloudy	32	Rome	fair	17
Accra	fair	32	Bermuda	cloudy	21	D' Salaam	fair	28	Glasgow	windy	8	Melbourne	fair	22	S. Frsco	fair	21
Algiers	shower	18	Bogota	fair	19	Dakar	fair	25	Hamburg	shower	9	Mexico City	cloudy	24	Seoul	fair	18
Amsterdam	hail	9	Bombay	sun	32	Dallas	shower	26	Helsinki	rain	8	Miami	sun	27	Singapore	fair	31
Athens	fair	21	Brussels	thund	8	Delhi	fair	34	Hong Kong	rain	29	Milan	sun	19	Stockholm	shower	10
B. Aires	fair	25	Budapest	rain	13	Dubai	fair	31	Honolulu	fair	25	Montreal	snow	3	Strasbourg	shower	10
B.ham	hail	9	C.hagen	windy	8	Dublin	thund	9	Istanbul	fair	17	Moscow	cloudy	11	Sydney	shower	20
Bangkok	fair	35	Cairo	sun	24	Dubrovnik	thund	17	Jersey	shower	10	Munich	rain	10	Tangier	fair	17
Barcelona	fair	17	Cape Town	sun	26	Edinburgh	hail	9	Karachi	sun	33	Nairobi	fair	29	Tel Aviv	sun	20
Beijing	fair	18	Caracas	cloudy	25	Faro	sun	21	Kuwait	fair	25	Naples	fair	18	Tokyo	shower	19
									L. Angeles	fair	25	Nassau	shower	30	Toronto	snow	1
									Las Palmas	sun	20	New York	cloudy	13	Tunis	fair	20
									Lima	cloudy	27	Nice	windy	17	Vancouver	shower	14
									Lisbon	fair	18	Nicosia	sun	21	Venice	shower	15
									London	thund	10	Oslo	shower	8	Vienna	cloudy	13
									Lux.bourg	sleet	7	Paris	shower	10	Warsaw	cloudy	13
									Lyon	rain	12	Perth	fair	30	Washington	sun	18
									Madeira	fair	18	Prague	cloudy	12	Wellington	shower	13
									Madrid	fair	16	Rangoon	sun	35	Winnipeg	sun	5
									Majorca	sun	18	Reykjavik	snow	1	Zurich	fair	9